

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The Convention of Business Opportunity

Annual Financial Congress Will Apply Itself to Clarification of Outstanding Foreign and Domestic Economic Problems. Rt. Hon. Reginald McKenna, Thomas W. Lamont, Governor Henry J. Allen and Dr. George E. Vincent the Principal Speakers on the Main Program.

CONFERENCE and the new confidence which comes from it precedes most forward strides. The annual convention of the American Bankers Association in New York City during the week of October 2 will be a great conference of financiers and bankers of the United States in that it will present an unparalleled opportunity for the clarification of those major problems of business which directly and indirectly are depressing the activities of every man who has business at a bank. The convention offers distinct opportunity both to receive and to give that help which all business needs in rebuilding itself under the new conditions now confronting the world. A general realization of the advantages of the convention presages a record-breaking attendance.

Besides what it offers in additional information for those who must daily guide and control those enterprises which, taken as a whole, constitute almost the entire business of the nation, this national gathering in the Metropolis offers innumerable opportunities for individual enterprise and for social entertainment. The various departments of the Association will, as indicated in the departmental pages of this issue of the JOURNAL, pre-



GOV. HENRY J. ALLEN

sent programs and speakers of commanding interest.

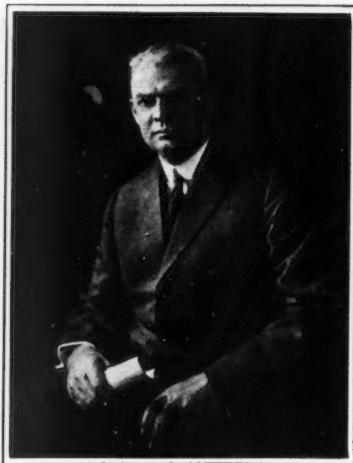
One of the most notable of the speakers on the program of the main convention will be the Rt. Hon. Reginald McKenna, chairman of the London Joint City and Midland Bank. He was formerly Chancellor of the British Exchequer and has held many other important posts in the government of Great Britain. His addresses on the financial prob-

lems arising from the World War have attracted world-wide attention. His experience, and his intimate knowledge of European conditions equip him to speak in an authoritative manner on the great overseas problems which so immediately affect our own prosperity.

Thomas W. Lamont, of J. P. Morgan & Co., is an international banker who from his personal studies can also speak authoritatively and with the added value of the American point of view.

Governor Henry J. Allen, of Kansas, is a distinctive American who has risen to eminence because he is a clear thinker with initiative and the resolute courage of his convictions in all of his efforts to better the conditions of the people of his state. He will discuss industrial problems—and no one can be more interesting on this subject—and he will also discuss the Federal Reserve System.

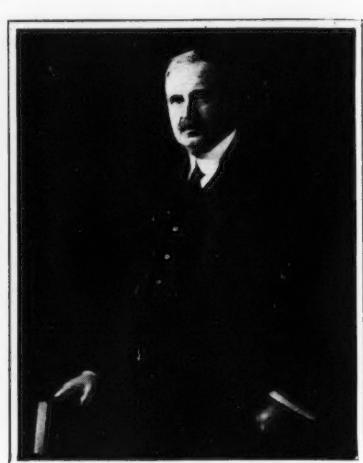
There are few public speakers whose addresses exceed in interest those of Dr. George E. Vincent, director of the Rockefeller Institute, who will be the fourth speaker on the program of the main convention. He is engaged in directing a work of humanitarianism probably unparalleled in all the record of civilization. "Public Health Assets,"



SEWARD PROSSER
President Bankers Trust Co., Chairman of Committee of One Hundred



GUY EMERSON
Vice-President National Bank of Commerce, New York, Executive Manager Committee of One Hundred



GATES W. McGARRAH
Chairman Mechanics and Metals National Bank, Chairman Finance Committee

on which he will speak, is in all its phases a matter of concern to the business man and the banker, since prosperity goes forward or is impaired by the condition of public health.

The Commodore Hotel, which is practically a part of the Grand Central Station, will be convention headquarters.

The general sessions will be held in the grand ballroom of the Commodore in the forenoon on Tuesday, Wednesday and Thursday, October 3, 4 and 5.

The sessions of the Sections and Divisions will be held in the grand ballroom on Monday morning and Tuesday, Wednesday and Thursday afternoons. Announcements relative to the programs and speakers in the conventions of the Divisions and Sections will be found in the pages devoted to Divisions and Sections in this issue of the JOURNAL.

The Executive Council meets in the East Ballroom of the Commodore Hotel, the Finance and Administrative Committees in the Board Room on the Mezzanine floor of the Commodore. All other committees meet in the rooms of the New York Chapter, American Institute of Banking, 15-19 West 37th Street.

The program day by day is as follows:

Monday

Meetings of the following Divi-

sions, Commissions and Committees:

Trust Company Division, National Bank Division, State Bank Division, Savings Bank Division, Agricultural Commission, Commerce and Marine Commission, Economic Policy Commission, Public Relations Commission, Administrative Committee.

Finance Committee, Insurance Committee, Protective Committee, Committee of Five, Committee on Membership, Committee on Public Education, Committee on State Taxation, Committee on Federal Legislation, Committee on State Legislation, Special Committee on Taxation, Fiftieth Anniversary Committee, Clearing House Section.

The dinner of the Reserve City Bankers will be held on the evening of this day and the Executive Council will meet at 9 P. M.

Tuesday

President Thomas B. McAdams will call the convention to order at 9.30 A. M. Tuesday. This session will include the addresses of Thomas W. Lamont, Dr. George E. Vincent, the annual address of President McAdams and the reports of Robert B. Locke, retiring President of the American Institute of Banking; Andrew Smith, President of the State Secretaries Section; John R. Washburn, President of the Clearing House Section; J.

A. House, President of the Trust Company Division; Raymond R. Frazier, President of the Savings Bank Division; John G. Lonsdale, President of the National Bank Division, and R. S. Hecht, President of the State Bank Division.

Wednesday

Governor Allen and Rt. Hon. Reginald McKenna will speak during the Wednesday forenoon session and at this session there will also be a forum and the election of officers of the Association.

Thursday

Thursday's session of the main convention will include these reports:

The Committee of Five, Charles deB. Claiborne, chairman; the Insurance Committee, Oscar G. Foreman, chairman; the Committee on State Taxation, Ernest J. Perry, chairman; the Committee on State Legislation, Craig B. Hazlewood, chairman; the Committee on Federal Legislation, A. E. Adams, chairman; the Committee on Public Education, John H. Puelicher, chairman; the Public Relations Commission, Francis H. Sisson, chairman; the Agricultural Commission, Joseph Hirsch, chairman; the Economic Policy Commission, M. A. Traylor, chairman; the Commerce and Marine Commission, Fred I. Kent, chairman.



HARVEY D. GIBSON
President New York Trust Co., Chairman
Hotel Committee

Friday

The Executive Council will meet on Friday aboard the *Washington Irving* on the trip to West Point (referred to on the page devoted to entertainment) and the Administrative Committee will meet aboard the boat on the return trip from West Point.

The Committee has received the following letter from Secretary of War Weeks in reference to the day at West Point:

"I am pleased to inform you that, as a special courtesy to the members of the American Bankers Association and as an appreciation of the importance of this Association in this country, it has given me great pleasure to direct the Superintendent of the U. S. Military Academy to arrange for a parade of the Corps of Cadets of the U. S. Military Academy as requested in your letter of the 20th instant."

General Information

The office of the American Bankers Association, the local committee headquarters and the registration bureau for all delegates and guests attending the convention will be located in the West Ballroom of the Commodore.

Mail and Telegrams

All mail and telegrams for delegates and guests (which have not

been specifically addressed to them at their hotels) will be delivered at the Post Office at the Commodore Hotel.

Railroad Tickets

Round-trip tickets based on a fare and one-half on the certificate plan require validation by agents of terminal lines at New York City. Tickets may also be validated at the Consolidated Ticket Offices located at 64 Broadway, 57 Chambers Street, 31 West 32d Street and 114 West 42d Street.

Registration

Delegates should register immediately upon arriving in New York City. By so doing they will expedite the prompt and complete publication of the daily registration list, and their friends and acquaintances can readily be located. Delegates should present their business cards when registering. If possible, it is desired that they also register for others from institutions which they represent, as well as members of their families who are in attendance. The necessary credentials will then be delivered, including the official badge and invitations for social functions.

Those who have made advance hotel reservations should so advise the registration clerks in charge of the convention registration. Their registration cards will be on file awaiting signature.

No one representing a banker or banking institution is entitled to register unless such banker or banking institution is a member of the Association. Article III, Section 3, of the Constitution provides:

"* * * Each delegate, other than an individual member, shall be an officer, director, trustee, manager or partner of the authorizing member. Substitutes for delegates shall not be permitted and no delegate shall represent more than one member. * * *"

State Associations' Headquarters

Arkansas—Rooms 710 and 712, Commodore.

Illinois—Rooms 752, 754 and 756, Commodore.



WALTER E. FREW
President Corn Exchange Bank, New York,
Chairman Executive Committee of Convention

Indiana—Rooms 747 and 749, Commodore.

Kansas and Missouri—Rooms 700 and 701, Commodore.

Louisiana—Rooms 718 and 720, Commodore.

Michigan—Room 335, Biltmore.

New Jersey—Rooms 732 and 734, Commodore.

New York—Rooms 725 and 729, Commodore.

North Carolina—Rooms 722, 724, 728, 730 and 772, Commodore.

North Dakota—Prince George.

Ohio—Rooms 743 and 745, Commodore.

Oklahoma—Rooms 736, 738, 740 and 742, Commodore.

Pennsylvania—Room 741, Commodore.

Virginia—Room 735, Commodore.

Wisconsin—Prince George.

There are many indications that the attendance at this convention will be far above the average. The accommodations reserved at the hotels, the expressed intentions of bankers in all parts of the country and the arrangements being made for various groups from states or sections all point to a gathering numerically superseding anything in recent years, as indeed it is expected the convention will supersede its predecessors in its practical utility to the individual banker.

But no matter how great the convention, all will be taken care of. There will be good hotel accommodations for all; there will be special protection provided by the police and by the Burns Detective Agency; there will be a staff of 134 young ladies stationed at information booths in the principal hotels to direct and inform visitors.

The Banker's Position and Obligation

Members of the American Bankers Association:



MERICA is blessed with a bountiful harvest. New wealth and an immense food supply have been produced. Fundamentally, we are in a sound financial position and can look forward to increasing prosperity in commerce and industry, provided carelessness and selfishness are not allowed to undermine the stability of our citizenship.

¶ Two outstanding problems perplex us—industrial controversy and unrest at home; and international financial difficulties abroad. In the solution of these questions the banker has a distinct community position and obligation as counsellor and adviser to the millions of people who have confidence in his judgment, integrity and patriotism. To these problems the American Bankers Association in convention in New York, October 2-6, will address itself with unmistakable vigor.

¶ The Right Honorable Reginald McKenna, formerly Chancellor of the Exchequer and now Chairman of the London Joint City and Midland Bank, will discuss "Reparations and International Debts"; Thomas W. Lamont, one of our foremost international bankers and a financial and economic adviser at the Peace Conference, will treat world finance from the American viewpoint; Henry J. Allen, the fearless, aggressive Governor of Kansas, will discuss the responsibility of the government for industrial justice and the relation of the Federal Reserve System to American business. The Convention will hear from one of America's most brilliant orators, Dr. George E. Vincent, former President of the University of Minnesota and now head of one of the great public service foundations of this country.

¶ This great financial congress should bring the bankers of America closer to the answer as to what they can do to most effectively help in promoting domestic as well as world prosperity. In such a conference every banker has his own part. Will you not through your presence contribute to its success?

¶ Our hosts, the bankers of the City of New York with Mr. Seward Prosser at their head, are doing everything possible for our comfort and pleasure. Among the features already arranged are a fashion show, teas and luncheons for the ladies; theatre parties; a smoker at the Astor; a grand ball; golf tournaments; and a trip by boat to West Point to a special drill and review of the cadets arranged through the courtesy of the Secretary of War and the Superintendent of the Military Academy.

¶ Every indication points to this being the largest convention in the history of the Association. Let us make it the most potential for broadening the influence of the American bankers and increasing the prosperity and happiness of the American people.

THOMAS B. MCADAMS,
President.

How New York Bankers Will Entertain

The Program Ranges from West Point to the Relics of the Dark Ages. From the Famous Masterpieces of Art to the Roar of the Stock Exchange. Many Theatrical Entertainments and Fifty Golf Clubs. Fashion Show and Reception for the Ladies

THE plans of the Entertainment Committee of the American Bankers Association provide for a program of entertainment which should make memorable the visit of every delegate and every guest at the forty-eighth annual convention, October 2 to 6.

To the occasional visitor in New York the city is a wonderland at every turn and in every aspect and even to the constant visitor its wonders are never exhausted.

The committee's plans are so broad that the taste of every delegate and every guest may find in the week of the convention entertainment well worth the journey, however long. The program is a thing of contrasts. For instance, there is the visit to the famous Museum of Natural History, with its relics of the ages before the Christian era, and there is a fashion show during which living models will display the styles of the day. There are luncheons for the ladies at the homes of prominent New York women; there are guides for those who want to



MRS. DWIGHT P. MORROW
Chairman Women's Reception Committee

shop; there are fifty conveniently reached golf courses amid beautiful rural surroundings and there is an opportunity to see the New York Stock Exchange in full blast. There are innumerable theaters and several theater parties and there is a day at West Point Military Academy—with its famous buildings and grounds—and an especially arranged review of the cadets.

Many organizations, religious, civic and industrial, have cordially expressed their pleasure over the coming to New York of the bankers and will extend every possible courtesy to the visitors.

For Motorists

The Automobile Club of America, Inc., has generously offered the services of its supply and club departments to the visiting delegates and guests. Privilege cards for the use of the visitors and information on routes to New York from any point, and garage rates will be sent



THOMAS W. LAMONT
J. P. Morgan & Co., Chairman Reception Committee

upon request to A. B. A. Convention, Room 1461, 120 Broadway, New York.

To Learn New York

Henry Collins Brown, an expert on the history of New York, will be available to all desiring to become better acquainted with points of interest in the city. He will give an illustrated lecture, "An Indoor Trip Around New York."

The Fashion Show

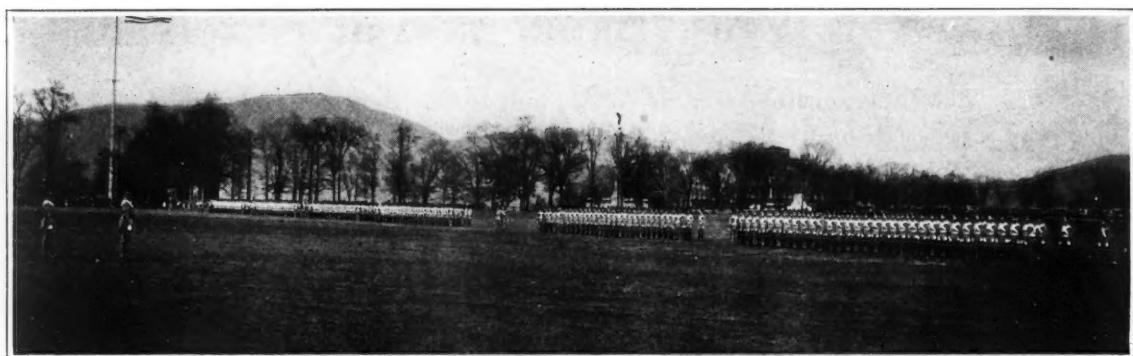
The convention opens on Monday. At 4.30 p. m. on Tuesday will be held the fashion show and tea for women. This will be at the Plaza Hotel, Fifth Avenue and 59th Street, and will be an event of more than ordinary interest to the ladies.

Theater Parties

Tickets for a number of the leading plays in New York have been obtained for Tuesday and will be available without charge to the delegates and their guests. A special booth will be located at Headquar-



HENRY J. COCHRAN
Vice-President Bankers Trust Co., Chairman Entertainment Committee



Drill Ground, United States Military Academy, West Point, New York

ters for the exchange of coupons for these tickets, each coupon entitling the holder to one ticket.

Three Events Wednesday

Wednesday, October 4, is Club Day. The hospitality of the Colony, Cosmopolitan, Women's City, Women's National Republican and Women's University Clubs is extended to the women guests during the afternoon. Tea will be served at the Colony Club from 3 to 6 p. m.

A smoker for the men will be given at the Astor Hotel, Broadway and 43d Street, at 8.30 p. m. The best vaudeville and music obtainable will be provided. A supper will be served.

Special arrangements have been made with the producers of three of the most popular plays in town, and these performances will be given in the evening, exclusively for the women guests. Return transportation from the theaters to the hotels will be provided.

Hostess Day; Grand Ball

Thursday, October 5, will be known as hostess day. The women guests will be entertained at luncheon at the homes of prominent New York women. Special arrangements have been made for those desiring to visit the Metropolitan Museum of Art later in the afternoon. The Natural History Museum is also extending unusual courtesies.

The grand ball for all the guests to the convention is to be held at the Commodore Hotel, at 9.30 p. m. Thursday. Supper will be served at 11.30 p. m.

Go to West Point

Those who have never made the trip by water to West Point should check Friday, October 6, for they can see it under favorable auspices. Boats will leave New York at 10.30 A. M. and will arrive at West Point at about 1 o'clock. Luncheon will be served on board. The return trip will be made at 5 p. m. from West

Point, arriving at New York about 7 p. m.

On this day also the annual convention Golf Tournament will be held for the St. Louis Cup, the New York Cup and other special trophies.

To Expedite Shopping

The Women's Reception Committee has made arrangements to have shopping information, and also a number of expert shoppers available for the women guests during the convention. No charge will be made for information, the only charge being for the service of the shoppers. As the number of shoppers is necessarily limited, it would be well for those desiring such services to send word as much in advance of arrival as possible. Write to Shopping Service, Inc., c/o Women's Reception Committee, A. B. A. Convention, 598 Madison Avenue, New York, or apply to any A. B. A. Information Booth after arrival.

Amendments to the Constitution

THE following proposed amendment to Article IX, Section 1 of the Constitution submitted at a meeting of the Executive Council held May 12, 1922, and approved, will come up for action at the October convention:

Omit the entire sentence in the last five lines and substitute the following therefor:

"If the question is determined affirmatively by two hundred of the members present at the Convention and voting, the resolution or subject matter shall be in regular order and shall be considered and referred to a special meeting of the Administrative Committee or the Execu-

tive Council to be immediately called for recommendation of approval or disapproval. Upon report of recommendation by the Administrative Committee or the Executive Council, the question shall be acted upon by the Convention: Provided, that this section shall not apply to any proposed amendment of the Constitution."

The following amendment to Article IX of the Constitution, proposed by Oliver J. Sands, president American National Bank, Richmond, Va., which as a new section, No. 3, will also be acted upon at the General Convention in October:

"Questions which relate particularly and exclusively to either one of several classes of banks represented by Divisions of the Association shall not be acted upon by the Convention or by the Executive Council, but only by the particular Division to which the question solely relates. In case of dispute whether any question presented under this rule relates particularly and exclusively to any one Division, the Administrative Committee shall have full power of decision. Whenever such dispute arises at any session of the General Convention or at any meeting of the Executive Council, the question shall be referred to a special meeting of the Administrative Committee for immediate consideration and report."

Our Experience with Money Heresies

By E. E. AGGER
Columbia University

Greater Than That of Any Other Country. All Have Been Inflationary in Character and Have Been Brought Forward When Prices Were Declining. A Confusion Peculiar to All the Schemes Has Been the Assumption That Money and Wealth Are the Same.

THE United States has had greater experience with monetary and credit vagaries than any other country on earth. This does not imply, however, that the American people are more ignorant of monetary principles than are other people. Our chasing of monetary will-o'-wisps is attributable to the conditions involved in the development of a new continent, and to the part played therein by popular government. Wherever similar conditions might develop the same results would flow.

Special Interests

In all departments of economic life attempts are made to use governmental power to further special interests. The manufacturer demanding protection against foreign competitors is asking for the use of governmental power to further his interests in a manner not greatly different from that of the "greenbacker."

A monetary heresy is, of course, a departure from sound principle. All sorts of possibilities present themselves, but in practice, in America, heretical monetary schemes have all been inflationary in character. They have been brought forward in times of depression when prices were declining and when there was widespread economic distress. In such times it is commonly believed that the whole difficulty is due to an inadequate supply of currency or credit, and accompanying this belief is usually also the conviction that bankers and a vague something alluded to as the "moneyed interest" are responsible. The conclusion is then drawn that the situation can be relieved and selfish conspirators circumvented through governmental issues of money, extension of loans, etc.

Inflationary Confusions

Practically all inflationary money schemes involve certain confusions. There is almost always an assumption that money and wealth are synonymous terms. The frontiersmen needed capital, and they thought that the way to get it was through the issue of paper money. They did not comprehend that the only honest field for money is that of a medium of exchange. This implies that wealth to be exchanged must exist before money can be of service. Issuing money to get the other fellow's wealth when you have nothing to offer in exchange, or when you want him to take what you have at an arbitrary and artificial valuation, is a prostitution of money.

False Assumptions

Then there is almost always the confusion concerning exchange value or price. It is assumed that exchange values can be arbitrarily determined. Not only is it maintained that the government stamp fixes the value of money, but it is assumed that the government could, if it wished, maintain the prices of certain selected commodities through legislative enactment or administrative regulation. Mere declarations are of no avail. The value of money can be kept at par with gold, for example, only when it is possible freely to exchange one for the other. European monetary units are supposedly on a gold basis, but few of them have a par gold value.

Then there is the confusion of the fiscal functions of the government with its control of the monetary system. In most instances the original issue of paper money has been for the purpose of supplying the government with revenue rather than trade and industry with a circulating medium. When a govern-

ment so issues money instead of levying taxes it is still putting an economic burden (a tax) on the people. The only difference is that it is using a stupid, unequally distributed form of tax instead of one that has been carefully thought out and equitably apportioned. Not seeing how the burden is carried it is easy to deny its existence.

Easy to Fall

The involved character of our economic life makes it easy to fall into these confusions. All business is carried on in terms of money, and money is in the first instance what everybody is anxious to make.

If one needs capital to expand his business he must first borrow money. Getting money thus seems to be the first step that must be taken in any economic endeavor. It is no wonder, therefore, that the purely intermediary function of money in actual exchange is but dimly grasped. It is similarly easy to confuse the fiscal and monetary functions of government. The government levies taxes in terms of money. It also controls the issue of money. Why, then, should not monetary control be utilized for revenue purposes? It was so utilized by despots. It seems equally natural that it be so utilized by governments when the people are in control.

Money agitation based on heretical proposals usually has arisen under certain well-defined economic conditions. Some American students have associated wild monetary schemes with the frontier, and even with the frontier only in periods of distress and depression following speculative booms. Speculation is accompanied by extensive borrowing and advancing prices. When the bubble is pricked and the boom comes to an end borrowers are caught. Prices decline and borrow-

ers must realize on their assets in a declining market. Pressure is naturally greatest on those whose assets are relatively illiquid. This is usually the case with the agriculturalists, especially when they have been indulging in land speculation. Not only does there tend to be no market for land in periods of liquidation, but the curtailment of production hits the demand for staple products, and agricultural prices drop. Thus it is usually the farmer, especially in the newer areas where land speculation is likely to be pronounced, who is likely to be the wildest inflationist.

Colonial Bills of Credit

Paper money was issued in the colony of Massachusetts as early as 1690. The other colonies quickly emulated this example. The experience of all was about the same. The notes were issued at first to meet an emergency, and they were made receivable for taxes. Subsequently they were put out to meet ordinary expenses as a substitute for adequate taxation, and circulation was made compulsory by giving the notes full legal-tender power. In time, also, they were issued for the benefit of individuals who used them in private affairs. While at the outset there was some pretense at redemption in specie, such redemption was never continuously maintained. The inevitable result was that progressive depreciation set in. Honest creditors were defrauded through a practical scaling down of their claims, and the efforts made to evade the acceptance of the depreciated money were met with penalties of all sorts. Conditions got so bad that in 1751 and again in 1763 the British Government interfered and forbade the further issue of the bills of credit. This was denounced by the inflationists as an act of rank oppression and figured widely in revolutionary agitation against the mother country.

The Land Banks

In colonial times a "bank" was simply a batch of paper money. Individuals wanting to borrow would get together, with or without government approval, and would issue a lot of money. They ordinarily deposited as security for the cur-

rency mortgages on their lands. While the currency enjoyed no legal support, all the participants in the scheme agreed to accept the notes among themselves. This tended to give the notes general currency. Redemption in specie was not thought of. The important distinction between immediate redeemability and ultimate security was not apprehended. What, it was asked, could be more secure as a backing for notes than land? And so among the needy colonists the land banks, as they were called, gained considerable favor. But they were opposed by the colonial governors and by the home government. This opposition finally prevailed. No new land banks were established after 1740.

Revolutionary Bills of Credit

Notwithstanding the colonial experiences, possibly indeed because of them, the Continental Congress resorted at once to paper issues to finance the struggle with Britain. Students generally admit that little choice was open to the Congress because of the refusal to grant to it adequate powers of taxation. In all, the Continental Congress issued \$242,000,000 in notes in some forty authorizations. The individual states issued about \$210,000,000 more. Mixed with these authorized issues were hoards of counterfeits. Since there was no species on hand with which to redeem the notes, depreciation set in at once, and grew in amount. In March, 1780, Congress suggested to the states that they redeem the two hundred millions then outstanding at the rate of forty to one! New tenor notes were issued and were exchanged for about one hundred and twenty million of the old notes, but the new tenor notes themselves quickly depreciated. The Continental notes were made legal tender for debts with the usual results. Debtors were enabled to scale their debts and fraudulent administrators and trustees were permitted to rob their charges. Depreciation got so bad that finally the notes disappeared from circulation. In 1790, under Hamilton's plan, the new government offered to redeem the Continental currency in bonds at 100 to 1! Only six millions were turned in. The rest were destroyed or had been lost.

Shays' Rebellion

The revolutionary war had left America poor. Not only that. After the war there were restrictions on her trade, her exports fell off and the little specie that she had been able to accumulate had largely to be exported. Imports of British manufactures hit the war-born industries, and there was in consequence much unemployment. In general, conditions were again congenial for the development of inflationary agitation. And the agitation came and waxed hot. In some states it succeeded in forcing the enactment of laws suspending the right of creditors to enforce their claims, or requiring them to accept in settlement specified goods at named prices. All the states but Massachusetts, New Hampshire, Maryland and Delaware issued paper money. In Massachusetts the attempt was made to get back to specie payments and to enforce debts, but the outcome was armed rebellion, led by one Captain Daniel Shays.

Uncertainty of Constitution

The new constitution adopted in 1789 left the issue of paper money by the Federal government in some doubt. The control of money was put into the hands of Congress, and the several states were forbidden to coin money or to issue bills of credit. A clause purporting to grant to Congress the power to issue bills of credit was stricken out by the constitutional convention, yet most students agree that the debate leaves the whole question very uncertain. Thus Hamilton, who was the leading spirit in the convention, said subsequently:

"The emitting of paper money by the authority of government is wisely prohibited to the individual states by the national Constitution; and the spirit of that prohibition ought not to be disregarded by the government of the United States. The wisdom of the government will be shown in never trusting itself with the use of so seducing and dangerous an expedient."

Treasury notes were issued during the War of 1812 when many of the Fathers were still alive and politically influential. Finally, it may be added, although not until later, the Supreme Court held that the authority to "coin money" meant the "making of money or supplying currency."

Opposition to U. S. Banks

From the time of the adoption of the new Constitution down almost to the Civil War inflationism as an "ism" vented itself in the United States in opposition to the First and Second Banks of the United States and in the expansion of state bank issues. From this point of view the United States banks were opposed because of their refusal to accept the notes of non-specie-paying banks. The Federal banks thus acted as a restraining influence. On the other hand, the state banks were then organized without much supervision or control, and when the Federal banks were closed the state institutions had a clear field. They were instrumental in promoting speculation in the public lands and in other directions as well; and there were many failures and heavy losses when pressure developed, as, for example, when the demand by the United States government that land be paid for in specie precipitated a crisis in 1837. Some of the states had borrowed money to establish state systems of banking. In a few cases these loans were repudiated when the banks failed. The trouble with the state banks generally was that redemption was not maintained, and that note issues were overexpanded. There was lacking also sound banking discrimination in the selection of assets. New England finally worked around to healthy conditions. In New York the situation was not so good. The worst conditions were in the West and the South. The question was finally solved by the taxing of the state issues out of existence, through the building up in experience of sound principles of procedure and through more thorough-going supervision and control.

Greenbackism

The roots of "greenbackism" were planted by the United States government itself. Legal-tender notes were issued to finance the Civil War. There was again the old confusion between the fiscal needs of the government and its authority over the money system. As the government did not maintain redemption in gold, and as the greenbacks were overissued, they began quickly to depreciate. They went down as low as 37 cents in

gold in 1864. At the end of the war \$400,000,000 were outstanding and they were then worth about sixty-seven cents per dollar in gold.

Retirement of Greenbacks

The tendency at first was to retire the greenbacks as soon as possible. Secretary McCulloch so recommended, and in 1866 Congress adopted a law authorizing the issue of bonds for this purpose. But opposition to retirement developed rapidly. It was argued that retirement meant appreciation of the value of the greenback in gold, and the consequent decline of general prices to the detriment of trade. It was urged that this would affect the government's revenue adversely at the same time that contraction would embarrass the banks and force them to reduce their loans. Then there was the old demand that the government should not surrender to the banks its sovereign right to issue money. Hence, despite McCulloch's objections, Congress, in 1868, passed a law suspending further retirement of the notes.

As the inflationary propaganda developed there was also the demand that the government pay off its bonds in greenbacks rather than coin. This demand was incorporated in the platform of the national Democratic Party in 1868, although not all the elements of the party accepted it. On the other hand, there were many Republicans who supported this demand. But the election of Grant and his strong utterances on the subject sufficed to put the question at rest.

As a Great National Issue

As a great national issue greenbackism came to the front after the panic of 1873. This panic was the culmination of a period of extravagant speculation in railroad building and in western lands. As usual, panic and depression were especially hard on agricultural interests. There was, in consequence, a renewed flaring up of the inflation sentiment. This became so strong that in 1874 Congress passed a law to expand the greenbacks anew to a level of four hundred millions. Luckily, Grant vetoed it. In the next year Congress executed an "about-face" and passed the specie

resumption bill. It provided for the progressive retirement of the greenbacks to a level of three hundred millions, with full redemption in specie beginning January 1, 1879. Although the bill was faulty in that it did not absolutely guarantee redemption on demand and did not set aside a specific reserve, yet the opposition to it was bitter. The inflationists in 1877 were in control of both houses of the national legislature. While there was a demand for the repeal of the resumption act, this weakened when it was understood that resumption did not necessarily mean contraction. That resumption should not mean contraction was finally assured by the law of 1878, which required that all greenbacks paid into the treasury should be reissued. That law has never been changed and the greenbacks have remained ever since as a part of the national currency.

The Greenback Party

As a definite political organization the Greenback Party sprang into existence in 1876. It was made up of the extreme inflationists of both of the older parties. Its demands were as follows:

1. The repeal of the resumption act.
2. Renewed issue of legal tender notes convertible into U. S. obligations bearing interest not exceeding one cent per day on each one hundred dollars.
3. Suppression of bank notes.
4. No gold bonds for sale in foreign markets.

These demands were based mainly on the notion that the issue of money is a sovereign right and should not be delegated to any private agency. The following quotation sums up the greenback philosophy in this connection: "The only money capable of perfection would be one manufactured out of a material costing substantially nothing, redeemable in nothing else, inasmuch as the redemption of money is its destruction, non-exportable, deriving its existence from the will of the government, authenticated by an official stamp, and regulated as to its value by limiting the quantity."

It was, of course, denied that the greenback was only a promise of the government.

The greenbackers, as is the wont of monetary heretics, opposed the

so-called "moneyed interest." This opposition was grounded in the normal tendency of the debtor class to distrust the creditor class. All the bond-issue legislation after the war having to do with funding and resumption was regarded as a part of a great conspiracy engineered in its interest by the creditor class.

While the greenback movement won some real successes, it finally petered out because of the shift of interest to "free silver."

Free Silver at 16 to 1

The free silver movement had its origin in the same conditions that nurtured greenbackism, and it finally crowded greenbackism off the stage. It could do this because it had a definite historical background to which it could appeal, because it also had the support of powerful silver-producing interests, and because, within limits, it attracted considerable scientific support. In 1792 the United States began with a bi-metallic system with a 15 to 1 ratio. But as the market ratio was 15½ to 1, silver was overvalued. Then in 1834 and 1837 the ratio was changed to 16 to 1 through reducing the bullion contents of the gold dollar.

As the market ratio remained unchanged the new legal ratio overvalued gold, and silver was driven from circulation. In 1853 it became necessary to reduce the bullion contents of the silver fractional coins in order to prevent their melting down and exportation.

Then from 1862 to 1879 the United States was on a paper basis. Looking forward to resumption, the act of 1873, later known as the "Crime of '73," revised the list of authorized coins, dropping the silver dollar from the list. The "oldest inhabitant" could not remember seeing a silver dollar. None had been coined since 1806, and of the eight million that had been coined the bulk had been exported. But at this time silver began to drop in price in the world market. The decline went so far that, had the silver dollar been provided for, silver would have been brought to the mint in volume, and the greenback standard would have been supplanted by a silver standard. This would have meant a cheaper dollar and more money, hence all the in-

flationists rallied around the new demand for the restoration of free silver coinage at the old ratio.

Prices Sagged

Much support was gained for free silver because of the general decline of prices in the period 1873-1896. The resumption of specie payments on a gold basis naturally caused an increase in the value of the greenback dollar. At the same time gold tended upward in the world market because of a great increase in demand incident to the tendency in Europe to go to a gold standard. Prices therefore sagged. The silver movement gained such headway that in time free silver commanded a majority in both houses. In 1878 it forced the enactment of the Bland-Allison Act, which required the purchase and coinage of silver. As passed by the House the Bland bill was an out-and-out free-silver bill. Again in 1890 silver purchases were broadened under the requirements of the Sherman Silver Purchase Bill. Finally came the capture of the Democratic Party and the great campaign by Mr. Bryan in 1896.

The silverites made the greenback error of assuming that a government declaration would suffice to establish the value of money. Others less extreme relied on the bimetallic theory that a shift in monetary demand from the dearer to the cheaper metal would suffice to bring the market ratio back to the legal ratio. The only question in their minds was whether the United States could go it alone. Had free silver won the outcome would undoubtedly have been a cheaper dollar because of the wide discrepancy that existed between the proposed legal ratio and the prevailing market ratio. In other words, our money would have been debased. As it was, the Democrats lost in the final campaign and the gold standard was rendered secure. The free silver agitation then died down because prosperity and rising prices came anew. New gold discoveries and the perfection of new processes of extraction brought great additions to the world's gold supply. This meant more money. And at the same time interest

shifted considerably from metallic money to bank credit as the real medium of American business.

Present-Day Monetary Heresies

The Great War led to an inflation of credit for governmental purposes and, especially in the post-armistice period, to a tremendous speculative movement and price advance. The usual aftermath of liquidation and depression followed. Agriculture was again peculiarly hard hit. Farmers and planters had speculated in cotton, grain and land. When the price-tumble came they were caught. They owed great sums to the banks and their assets collapsed in value.

Almost at once a great outcry arose in the agricultural districts against the Federal Reserve Board. Deflation, it was maintained, had been deliberately engineered by the Board. Of course, all the Board had done was to fulfill its sworn duty to protect the gold basis of our money and credit system. No banker can be misled on this point. There was also much criticism of the individual banks because they were forced to adopt measures to keep their condition as liquid as possible. In a bipartisan "bloc" the agriculturists have again united to use the power of the government for the benefit of the farmer. To recall how successful they have been mention need only be made of such things as the "dirt-farmer" bill, and the high agricultural duties in the new tariff. At this writing it would appear also that the opposition to the reappointment of Governor Harding was successful.

Responsibility on the Banker

Definite objection to the gold standard and the proposal of new monetary schemes have also not been wanting. Mr. Edison and Mr. Ford have fiat money schemes of their own. Eternal vigilance is the price of liberty! In this field of money, watchfulness must take the form of a patient and persistent education of the public. The responsibility for this devolves primarily upon the banking fraternity, the members of which are the natural guardians of our monetary and credit structure.

That Case of 87½ Per Cent. Interest

By JAMES E. CLARK

Automatic Application of the Progressive Rate of Interest Which Under Authority of Congress Was Designed to Bring About An Equitable Distribution of Federal Reserve Bank Accommodations. Rate for the Average Borrowings of the Bank Under Discussion Was .088 Per Cent. Per Annum

EVERYBODY who uses the Brooklyn Bridge was concerned, and millions all over the world who do not use it, were interested when the announcement was made a few weeks ago that one of the cables in the famous structure had slipped about an inch in its saddle on top of a tower. But everybody promptly dismissed the subject from attention when a competent engineer explained that Brooklyn Bridge was so constructed that a cable could slip—that the slipping of a cable was expected and planned for when the bridge was built. In other words it was largely a matter of self-adjustment and not a symptom of structural weakness.

When a United States Senator the other day declared that a small bank in Alabama had been charged by the Federal reserve bank of its district interest of 87½ per cent. on a loan this brief statement published broadcast, was correct but like the bare announcement of the slipping of the cable in the bridge it no doubt unduly stimulated the imagination of many people.

Checks and Balances

Political, financial and business organizations must have checks and balances even as things mechanical. In the Federal government legislative power, judicial power and executive power check and balance one another as the framers of the Constitution intended, and nobody supposes that because the Supreme Court declares unconstitutional a law which Congress adopted and the President approved that the Supreme Court is doing something unjust and unfair. That is one of the things the court was created to do. It is entirely possible, however, that sentiment might be worked up among some of our citizens by pointing out that the Supreme Court was setting at naught the combined

action of the House of Representatives, the Senate and the President.

The 87½ per cent. case is interesting but neither new nor alarming. It is but an isolated instance of credit adjustment and was discussed at length in the hearings of the Joint Commission of Agricultural Inquiry.

Basic Line of Credit

The Federal Reserve Board, long ago fixed a "basic line" of credit for each member bank of a Federal reserve bank. The basic line is merely a theoretical measure by which the borrowings of one bank may be measured against its normal borrowing capacity.

In the report of the Joint Commission of Agricultural Inquiry this explanation and formula for determination of the basic line is given:

"Inasmuch as all balances (whether created by borrowings or otherwise) of member banks left on deposit with the Federal reserve bank must have a reserve of 35 per cent. in gold or lawful money, and inasmuch as all borrowings from the Federal reserve bank in the form of notes must have a reserve of 40 per cent. in gold, it is apparent that the maximum lending power of the Federal reserve bank is limited, because of those reserve requirements, by the amount of capital and deposit contributions of all of its members in the form of gold and lawful money and by the amount of gold and lawful money acquired in other ways. If all member banks desired at the same time to borrow the maximum from their Federal reserve banks, it would theoretically be necessary for the reserve banks to pro rate those loans among the member banks in order to give each the amount of accommodation to which it is entitled without falling below the reserves required by the law. While it would be impossible to establish any absolute formula which will determine that maximum amount for each member bank, owing to the variable element of the fluctuation in the reserve banks' gold account through purchases, sales, transfers, etc., nevertheless, in order to fix a theoretical basic line which might approximate a member bank's pro rata share of the Federal reserve bank's lending power, a formula was established which was somewhat uniform by each of the Federal reserve banks which is of

theoretical value. That formula with certain exceptions was:

"The reserve deposit of the member bank with the Federal reserve bank less 35 per cent. of that deposit (the amount of the reserve which the reserve bank is required to maintain against that deposit) plus the amount of capital contributed by the member bank, multiplied by two and one-half. Obviously, as all members do not borrow at the same time, and as they do not borrow the maximum amount they would be entitled to borrow if all banks were borrowing at once, some banks may and do borrow a larger sum than is represented by their basic line. The basic line, therefore, is merely a theoretical measure by which the borrowings of one bank may be measured against its borrowing capacity, or against the borrowings of other banks in relation to their borrowing capacity. During 1920, the basic line was given a practical significance, however, by the adoption of what is known as the progressive rate.

Basic Line Formula Applied

Capital and surplus.....	\$50,000
3 per cent. of capital and surplus.....	1,500
Demand deposits	\$300,000
Reserve against demand deposits, 7 per cent.	21,000
Time deposits.....	\$200,000
Reserve against time deposits, 3 per cent.	6,000
Total reserve.....	\$27,000
Less 35 per cent. reserve required.....	9,450
Balance	\$17,550
Plus 3 per cent. paid in to stock of Federal reserve bank.....	1,500
Two and one-half times \$19,050, basic line	\$19,050
	47,625

The progressive rate approved by the Federal Reserve Board, under authority of Congress, consisted of the "application of an additional penalty rate of one-half of one per cent. in addition to the regular discount rate for each amount of 25 per cent. of borrowing on the part of a member bank in excess of its basic line. If the discount rate was 6 per cent. and the member bank's basic line was \$100,000 the member bank would pay on the first \$100,000, 6 per cent.; on the next \$25,000, 6½ per cent.; on the next \$25,000, 7 per cent.; on the next \$25,000, 7½ per cent.; on the next \$25,000, 8 per cent.," etc.

The entire amount of borrowings in excess of the basic line was not necessarily subject to progressive rates, as practically all paper secured by U. S. Government obligations, and in the case of the Atlanta Federal Reserve Bank agricultural paper up to the amount of the member bank's capital and surplus was specifically exempted.

Purpose of the Rate

The obvious purpose of the progressive rate was to restrain borrowing where the mathematics of banking indicated that restraint was advisable (since men and institutions may meet disaster by too much credit), and to equalize credit conditions in a district.

"The theory of the progressive rate was to bring about a more equitable distribution of Federal reserve bank accommodations at the lowest possible average rate," wrote Governor W. P. G. Harding, of the Federal Reserve Board to Senator McLean on Aug. 3. "Nearly 33 per cent. of the member banks of the Federal Reserve System were not borrowing at all during the peak of the strain in 1920, while others were borrowing excessively. The fact was established at the hearing last summer that the application of the progressive rate brought about a better distribution of loans and that in one district alone more than 300 member banks which had not been borrowing at all before the progressive rates were applied became borrowers. Those districts which applied progressive rates had a normal or basic rate of 6 per cent. and the average cost of accommodation to all borrowing member banks in any district was less than in those districts which did not apply the progressive rate but felt obliged to maintain a flat rate of 7 per cent."

"Late in August, 1920, I received a letter from the Governor of the Federal Reserve Bank of Atlanta, asking me to ascertain how the Federal Reserve Board would feel about abolishing the progressive rates in the Atlanta district. You will note that the high rates charged the Alabama bank were for a two weeks' period from September 16 to September 30, 1920, and that the letter just referred to was, therefore written before these transactions occurred. The Board on August 31 considered the Atlanta bank's re-

quest for the suspension of its progressive rates and I was directed by the Board to advise Governor Wellborn that the Board was unwilling to suspend the rates unless the bank was willing to establish instead a flat rate of 7 per cent. The directors of the bank did not deem it advisable to do this at the time and it was not done until November 1, 1920, when the progressive rates were abolished in the Atlanta district and a flat rate of 7 per cent. was established.

Rates Discontinued

"I enclose herewith a table of discount rates at the Federal reserve banks from 1914 to 1921 and would invite your attention particularly to the statement regarding progressive or graduated discount rates which appears on pages 30 to 33. You will see from this statement that the progressive rates were discontinued at the Federal Reserve Bank of Atlanta on November 1, 1920, and that on June 23, 1921, the Board approved a recommendation that all charges previously made in excess of 12 per cent., including the normal rate, be rebated.

"Mr. Wellborn's letter of February 21, 1921, which was reprinted on page 11661 of the Congressional Record for July 27, 1922, shows that the Alabama bank referred to had a capital and surplus of \$35,000 and was given rediscounts at the flat rate of 6 per cent. of \$37,765. It had an additional line from September 16 to September 30, 1920, of \$112,446, which was subject to the progressive rate. The progressive rates were calculated on the basis of actual reserves carried by the member banks. Mr. Wellborn's letter shows that from September 1 to September 15, 1920, the actual reserve carried by this bank was \$86, while the reserve it should have carried, based on its report of net deposits, was \$9,433. The letter goes on to show that because of this circumstance the amount of borrowings on which the progressive rates were calculated was \$691, which necessarily ran the rates up very rapidly.

Had Bank Maintained

"Had the bank maintained its required reserve, the bank's normal

line for the period would have been approximately \$18,000. As the Federal reserve bank rate schedule progressed $\frac{1}{2}$ of 1 per cent. for each 25 per cent. of the basic line, this Alabama bank would have been subject to a progressive interest charge of $\frac{1}{2}$ of 1 per cent. for each \$4,500 of the \$97,211 of rediscounts, instead of a progressive interest charge of $\frac{1}{2}$ of 1 per cent. for each \$691 of a line of \$112,446. It appears, therefore, that had the Alabama bank complied with the plain provisions of the law (Section 19 of the Federal Reserve Act), the interest on its discounts with the Federal Reserve Bank of Atlanta during the last two weeks of September, 1920, would have worked out about as follows:

Amount of paper rediscounted September 16-30, 1920.....	\$150,211
Amount subject to normal rates (basic line).....	18,000
Farm-production paper exemp- tion (capital & surplus)....	35,000
Total exemption.....	\$53,000
Leaving as subject to progres- sive rates	97,211

Alabama * * *	Average borrow- ings in excess of basic line dur- ing report period	Super rates ap- plied to excess borrowings	
		national bank basic line,	
\$18,000		\$4,500	$\frac{1}{2}$
		4,500	1
		4,500	$\frac{1}{2}$
		4,500	2
		4,500	$\frac{1}{2}$
		4,500	3
		4,500	$\frac{1}{2}$
		4,500	4
		4,500	$\frac{1}{2}$
		4,500	5
		4,500	$\frac{1}{2}$
		4,500	6
		4,500	$\frac{1}{2}$
		4,500	7
		4,500	$\frac{1}{2}$
		4,500	8
		4,500	$\frac{1}{2}$
		4,500	9
		4,500	$\frac{1}{2}$
		4,500	10
		4,500	$\frac{1}{2}$
		2,711	11

"This would have shown a maximum excess rate of 11 per cent. on the last \$2,711 and an average excess rate on the total excess line of $\frac{5}{4}$ per cent. It should be noted that the period under consideration was only two weeks."

As a matter of fact, even on the basis of the actual discount charged

the bank in question, the average rate was only 8.8 per cent. per annum on its total borrowings as is indicated in a letter quoted below from the Governor of the Federal Reserve Bank of Atlanta appearing in part 13, page 318, of the hearings before the Joint Commission of Agricultural Inquiry:

"Taking the matter as a whole, however, . . . it can be seen

that while the progressive rates seem exorbitant, the average rates paid to us for money borrowed during this period, when applied against the average borrowings, will not show anything in comparison to the seemingly high progressive rates shown. For instance, the average borrowings of the _____ National Bank for the period from June 15, 1920, to October 15, 1920, was

\$149,830. The normal discount rate at 6 per cent. on this amount would be \$2,996.60. Add to this amount progressive discount rates charged, \$3,680.15, and this less progressive discount rates rebated, \$2,281.56, would leave net amount of interest paid \$4,395.19, which would result in a rate charged for the average borrowings of 0.0880032 per cent. per annum."

Labor Troubles—And Beyond

By CONKLING HONSFORD

ONE of the first principles of democracy is the rule of the majority.

If the rule of the majority is set aside, no matter how insidiously or subily, no cleverness in phrase-making can hide for long the fact that democracy has failed at heart and that democracy is going down—and business with it.

One of the plainest functions of government is the protection of its people. If government turns aside from its duty to give adequate protection to its people in the pursuit of legitimate industry, the government fails in one of its first essentials and laws may easily and quickly descend to the level of mere reading matter.

In the labor troubles which have occupied public attention in recent months, there are two conditions of the gravest importance in their bearings on individual liberty and on the permanence of democracy.

The first is found in the declaration of the President that a labor organization has the country at its mercy; in effect that business may slowly be strangled by the will of a very small minority of its people; that this minority may, if it chooses, impose, create or continue a situation which will destroy capital, render innocent men idle, cause suffering and death.

Any minority possessing this great power may enforce a reasonable demand for wages or hours this Fall; may enforce an unreasonable demand in the Spring and anon may go a degree further with little respect for public opinion. Every retreat made in the face of oppression invites an advance by the oppressor.

The second condition is the demand that troops called out to protect property from possible destruction, and men from certain violence and death be recalled. In the last analysis this is a demand that a fundamental function of the government shall be suspended, that law shall cease in its operation insofar as it relates to the issue of this particular labor trouble; that the right of men to work shall cease, and that instead of the institution of justice there shall prevail the irresponsible, intolerant mob with a free hand to do as it will.

The losses of many kinds which up to Sept. 1st had been caused by labor troubles may be reckoned and appraised, but what appraisal can be placed upon the damage done to the very structure of the nation which is revealed by the present ascendancy in power of a minority and by that turning away from reason which emboldens men to say in effect that one of the essential functions of government shall give way?

Coal and transportation are vital, the rights of labor are vital, but the maintenance of the two principles of government just referred to rise above either of them.

In all of the darkness which has settled over Russia the most terrible thing is the indifference of the mass. Having passed through various stages of despair, people have come at last to that of indifference. One of the perplexities of the present situation is the indifference of the average resident of the United States who is as yet not directly concerned with labor troubles and the revelations of mistaken men

which have come with them. One nation lost its liberties because it did not have sufficient means of transmitting intelligence among its peoples. There is also a danger to us in the very abundance and perfection of our means of transmitting intelligence. The worth-while facts, the dangerous trends are all but buried in a mass of inconsequential, disjointed, more or less irrelevant things as they come to the busy man in the news of the day. With the growth of tendencies antagonistic to the continuance of free institutions this indifference should not continue. Considered even from a sordid, business point of view, the indifference is already exacting penalties. Looked at from a patriotic point of view the people of the present generation are custodians of liberties passed on to them from the generations which went before them and are by duty bound to preserve principles which are sacred. There can be no general evasion of that duty without a general loss—loss of business, loss of prosperity, loss of the accumulated capital of the country.

The intelligence and the moral power of the banker can exert a powerful influence in preventing and thwarting any infringement upon principles, the vigilant upholding of which is necessary for the preservation of the prosperity and the freedom we now enjoy.

The immediate issues of any labor trouble may not directly concern him, but always it is the affair of every far-seeing citizen when an attempt is made to depart from a fundamental principle.

Why We Cannot Open Up Russia

Internal Conditions Not Favorable for the Resumption of Commercial Relations. Imports Paid for Almost Entirely Out of the Gold Reserve of the Former Empire. That Means of Payment Probably Will Be Exhausted Soon. Little Prospect of an Export Surplus in the Near Future

REARDLESS of the attitude toward the Soviet Government of Russia, the internal conditions of Russia and the policy of the Soviet Government are such that for the time being American business can gain very little by dealings with that country. Even under a trade agreement our exports to Russia could not have been large in the past and cannot become large in the near future. Similarly, nothing our government could do would increase in any important degree private investment in that country. Great as is Russia's need of foreign goods and foreign capital, its internal conditions and the policy of its rulers are such as almost to preclude the possibility of obtaining the one or the other.

Need; Not Demand

The opening of the Russian market has frequently been suggested as a practical remedy for the depression of industry now prevailing not only in the United States but in the leading Western European countries. The needs of the vast Russian population, deprived for years of their customary imports, are pictured as representing an enormous demand for goods. The trouble is that need does not constitute effective demand. Except on credit, people can import goods only if they have something with which to pay for them. Russia has almost no such means of payment.

It is true that Russia has imported considerable quantities of goods, but Soviet statistics show the amount in 1921, on the basis of 1914 prices, was about \$125,000,000, or less than one-fifth the annual pre-war rate. Even in the absence of a trade agreement the total American exports to Soviet Russia amounted to about \$19,000,000 in 1921, which was seven-tenths the 1913 exports to the Russian empire from the United States, indicating a falling

relatively less than has taken place in the trade there of Great Britain, which has a trade agreement.

The most significant fact about Russian imports is that they have been paid for almost entirely out of the gold reserve of the former empire. The total exports of Soviet Russia during 1921, according to figures of the Bolshevik authorities, being only about \$10,500,000, which was about one-seventh of the exports of 1913.

Before the war exports somewhat exceeded imports; in 1921 the imports were more than twelve times the exports in value. The difference was made up by gold. In the light of the extreme hardship which an extremely depreciated currency is causing in Russia, this exportation of gold must be considered a grave and possibly irreparable blow to the future financial situation of the country. Moreover, the Russian stock of gold is strictly limited and the current production is insignificant. It can not be long before this means of payment for imports will be wholly exhausted. The

opportunity to sell goods to Russia, except on long term credit, will hereafter depend on Russian production.

The prospect of Russia having an important export surplus in the near future is most discouraging. It must not be forgotten that before the war 70 per cent. of Russia's exports were agricultural products—foodstuffs, flax, hides, wool, etc. A large proportion of Russian imports today consist precisely of foodstuffs. The worst famine of modern times is gripping the country.

If the Door Were Open

Meantime, there has been still more enormous fall in the productivity of other industries, and small likelihood appears that any of them can produce an important export surplus for some time. Were the Soviet authorities to throw the doors of Russia wide open to trade, there might be, for a short time, a considerable of the treasures of pre-war households. Some such treasure still remains, and their owners would part with them in order to satisfy their dire needs. Trade of this character, however, can make little enthusiasm in American business men.

Apart from an inherent lack of the wherewithal for commerce, grave obstacles have been placed in the path of business by the Soviet Government itself. The normal machinery of trade does not exist. Everything is subject to extreme government control. In principle, foreign trade is a government monopoly, and such commerce as it permits semi-private organizations to carry on, is subject to far-reaching regulations. Let no one suppose that if the American Government should make a trade agreement with Russia, the American manufacturer or merchant could sell goods to the Russian dealers or consumers. He would have to sell to the Russian Government or to agencies con-

"The opening of the Russian market has frequently been suggested as a practical remedy for the depression of industry now prevailing not only in the United States but in the leading Western European countries. The needs of the vast Russian population, deprived for years of their customary imports, are pictured as representing an enormous demand for goods. The trouble is that need does not constitute effective demand. Except on credit, people can import goods only if they have something with which to pay for them. Russia has almost no such means of payment." This article comprises only excerpts from a more complete study on the subject of Industrial and Economic Russia which has been published by the Commerce and Marine Commission of the American Bankers Association and which can be had upon request by members of the American Bankers Association.

trolled by it. Some goods he would not be permitted to sell at all, and for all his goods the prices would be fixed by the government.

Export Purchases

The purchase of export goods takes place upon the Russian market without restriction. Payment may be made in Russian money or in foreign valuta, but in the latter case only through the intermediation of the State Bank. An export permit has to be obtained from the Foreign Trade Commissariat.

Mr. P. Stomoniakoff, Chief of the Commercial Mission of the Soviet Republic, attempts to defend extreme government control on the ground that with Russia so impoverished, were trade free, the people would be forced to pay exorbitant prices for imported goods and could get only ridiculously low prices for their products and their accumulated treasures. He adds that there is justification for protecting the Russian people against exploitation, but it is evident that control goes much further than is necessary for that end and that so long as such excessive government interference continues, there will be very little trade.

Mixed Companies

Soviet authorities are now counting largely upon the activity in foreign trade of mixed companies of government and private stockholders. Two or three such companies have already been formed, the government holding in each case a majority of the stock. In view of the severe regulations, these companies appear by no means attractive to foreign capital, and especially will the foreign capitalist hesitate to guarantee the credits of such corporations abroad as the Soviet authorities expect him to do. The restrictions make the case akin to a partnership where all the risk rests with one partner, and all the power and most of the gain with the other.

If there is little promise for American business in participation in trade with Russia, there is even less in the investment of capital in Russian industry. Beyond question, Russia has a crying need for capital. The Soviet authorities themselves constantly proclaim that rehabilitation is dependent upon capital from abroad. Without large aid from foreign capital, the restoration of production in Russia must be extremely slow. But unfortunately, need for capital does not by itself constitute an effective inducement to capital. Capital must see prospects for profit. Under the conditions in Russia, that prospect is too uncertain to attract most investors. The hindrances to investment arise partly from the policy of the Soviet Government and partly from the general ruin of industry and the demoralization of industrial organization.

Protection Lacking

Foreign capitalists in general will not believe that they possess sufficient protection so long as the Soviet Government continues to hold confiscated property of foreigners and even to fail to compensate them for it. Nothing approaching a restoration of foreign property or adequate compensation has yet been made or even promised. The very attempt already mentioned to require as a condition of such restoration or compensation the grant of loans from abroad, shows how far the Soviet Government is from realizing the attitude of business men toward property rights. The Bolshevik leaders do not yet see that it is a condition and not a theory which confronts them—the condition that capitalists simply will not invest money where property rights are flagrantly violated.

Although the attitude of the Soviet authorities is less extreme today than formerly and numerous steps have been taken to restore capitalistic methods, nevertheless, private management, so far as it has been permitted, is still subject to

conditions offering little attraction to capital or managerial talent.

The New Policy

The recent changes in the management of Russian Government enterprises constitute the principal feature of what is commonly called the new economic policy. In most industries the workers are no longer given uniform rations but are paid, so far as possible, according to output. Money wages supplement wages in kind. Government enterprises, with certain important exceptions, are required to operate on "business principles"—to buy their own materials, pay their own wages, and sell their products at a profit to other government institutions or the general public. All this shows an increased apprehension of the importance of appeal to the economic motives of workers and managers, although these measures have largely failed so far to improve the industrial situation.

It is the common notion that while American business men are kept back, or themselves voluntarily held back from transactions in Russia, the Germans are going in on a large scale and getting control of trade and enterprise. As a matter of fact, the Germans have done comparatively little because they, too, have found the terms imposed by the Russian Government unacceptable.

Adverse Conditions

If only reasonable terms of lease or concession could be secured at the outset, the risks of the capitalist or business manager in engaging his money or his ability in Russia would probably lie less in the uncertainties of public opinion or of politics than in the practical economic conditions under which business must be conducted. Among the many conditions militating against success are: Lack of sufficient freedom, inefficiency of those branches of business still remaining under Communist administration, habits of idleness and insubordination on the part of labor, engendered under communism, and above all, the general ruin of agriculture, industry and transportation. The

success of any individual business is in most cases dependent on the success of other business. The factory must have coal, transportation, and raw materials. If industries furnishing these fail to function properly, it is likely itself to fail. If other industries are unproductive, those engaged in them can not buy what the factory produces. The full prosperity of any enterprise undertaken in Russia can in general be achieved only on the condition of general rehabilitation throughout the country. There are, however, exceptional enterprises, which are of such character or are so located geographically that they might hope to succeed fairly in the absence of such general rehabilitation.

Agriculture

The basic factor in Russian economic life is agriculture. Fully 85 per cent. of the population is engaged in that industry. And the decline in agricultural production has been enormous. The area planted has dropped off disastrously, and quite apart from the effects of the extraordinary drought of 1921, the yield per acre has likewise fallen greatly. In the territory now constituting Soviet Russia in Europe, the area planted to grain of all sorts before the war was about 195 million acres. In 1921 the grain area in the same territory was only 113,700,000 acres, a decline of over 40 per cent. Even this figure was considered by some Russian experts to be too high.

Wages According to Output

It was at this time that the so-called "new economic policy" began to be introduced in industry (July, 1921). In substance, the plan was to pay wage earners according to output and to require government enterprises, or at least certain of them, to run on a commercial basis—pay their own way.

The Soviet leaders boasted much of the results achieved at the outset under this so-called new policy. Production in many lines increased rapidly for a time and wage earners in many industries fared much better than before. The result was no doubt partly due to the addi-

tional incentive to labor and management. It was in part, however, due merely to the fact that after harvest new food supplies had become available. Even under the new economic policy, the food of the wage earners consists chiefly of what they receive, no longer as rations, but as part of wages, from the government. Naturally the great bulk of the tax in kind came into the government's hands within a few months after harvest. For the time being it had the all-important wherewithal to compensate labor and keep it at work. During these months of increased production, the government was using up not merely its reserves of food, but its reserves of material as well.

The inevitable reaction came with startling suddenness. Production fell all along the line almost if not quite as rapidly as it had risen. Government institutions, unable to pay their wage earners the promised amounts in kind, paid them more paper money. Prices soared at a rate probably never before exceeded in any other country. Real wages fell enormously. Unemployment became a great problem. Even for what little they produced, government factories could find no market.

No Forecast Possible

It is quite impossible to forecast what will happen to Russian manufacturing and mining industry either in the near or more distant future. It depends much upon whether the Russian Government is able to induce foreign capital to come in. Even if there is no change in the present methods of operating industry, it is quite possible that, immediately following harvest, there may be some improvement in the output of industries and in the condition of the working classes. Already, during May, the prospect of a harvest better than that of last year checked the soaring of prices. For the time being, at least, the Soviet authorities after harvest may be able to feed their working people better, and this is the most important factor tending to increase the

output of mines and factories. Any intelligent judgment, however, as to the possibility of maintaining production even at the low scale of two or three years, to say nothing of increasing it, cannot be formed until the spring of 1923, for it is always in the spring that the fundamental shortage of agricultural production makes its effects fully felt.

Little to Tempt Capital

Such is a picture drawn directly from Bolshevik sources of the status of economic life in Russia at the present time. Whatever one may think as to the extent to which the unfortunate conditions described are attributable to the communist system, it is perfectly evident that these conditions have a very important bearing upon the possibility of trading with Russia and upon the wisdom of investing capital there. Under the restrictions which the Bolshevik Government imposes upon the conduct of trade and enterprise, there is very little to tempt American business men at the present time to undertake business with Russia. It is earnestly to be hoped that there may be changes in policy and improvement in conditions which will make trade and investment more practicable, but for the time being, the obviously safe policy for American business in general is that of watchful waiting. Here and there some particular commercial transaction or industrial enterprise possibly may be undertaken with profit but these instances are the exception.

Business Changes

The United States Mortgage and Trust Company has elected John A. Hopper vice-president in charge of the new Madison Avenue Branch; Charles S. Andrews, Jr., vice-president in charge of the 73d Street Branch; Robert F. Brown secretary, to succeed Mr. Hopper; H. C. Ottewell an assistant secretary and Blinn F. Yates an assistant treasurer.

William Hatch Davis, 1016 Old National Bank Building, Spokane, Washington, is now secretary and general counsel of the Washington Bankers Association.

The Red Stock Exchange of Moscow

By IVAN NARODNY

Business Noisily Conducted in the Street in All Commercial Tongues. An Exciting Mart Where Concessions Find Ready Buyers. An Illegal Institution Subject to Raids Which No One Fears. Deals Concluded in Nearby Restaurants Where a Dinner May Be Had for 3,000,000 Rubles. Plenty of Gold.

WHILE the Soviet government has solemnly vowed to abolish all the private property of its citizens—more correctly, its slaves—and has nationalized all the mills, factories, mines, estates and corporate or personal funds of the bourgeois, yet personal property exists and that of some persons is rapidly increasing. It seems that the devil, which the "comrades" are driving out of the front door, is rushing in through the back door.

Once upon a time the Soviet proclaimed that in the immediate future all money would be abolished. Banks and brokerage houses, stock exchanges and money dealing shops were closed, and for nearly two years all financial and business speculation was seemingly wiped out. But who ever

visits today Ilinka Street in Moscow finds it a wild copy of Broad Street, New York, as it used to be. Facing the windows of the various Soviet offices are the offices of red brokers, and the street is filled with excited speculators, salesmen of bonds, agents and gamblers. In fact, a regular red stock exchange has operated over a year at the Ilinka, where people sell moneys, exchange properties, purchase concessions and transact every kind of financial business as one does on the New York Stock Exchange. It is perhaps a little more noisy than the New York curb used to be, as the speculating language here is absolutely inter-

national: Russian, German, French, English, Swedish, Polish, Finnish, Lettish, Armenian, Turkish, Tartar, Chinese, Japanese, Hindoo—briefly, nearly every language of the commercial races. One party tries to outshout the other, and then the interpreters are hired, and when translation fails, pure and simple old-fashioned pantomime is employed.

The red stock exchange of Moscow is a spontaneous institution built upon unwritten laws and universal traditions. No one seems to know how it originated, or who leads it, yet there it is, rapidly gaining in power almost daily. Other red exchanges have risen, too, in nearly all larger provincial towns, and there seems to be some kind of a silent business relation or understanding between them. Although no bulletins are published and there are no tickers nor wire news of their transactions, nevertheless by some magic means they do business with one another and maintain uniform prices.

The big business of the red stock exchange is transacted on the street, but the delivery of the moneys or papers

Ilinka, the Moscow Wall Street, is an exciting mart. Here the Soviet commisars come to take notes of the daily exchange, purchase foreign currency or sell the paper rubles. The price of the Soviet paper ruble is fixed daily at Ilinka, and the Soviet finance commisars humbly follow the footsteps of the red exchange.

The red stock exchange is an illegal institution and liable to raids, arrests and confiscation, which are occasionally carried on in the same way as the United States prohibition agents do to bootleggers and liquor dealers. Yet bootlegging exists in New York and speculation in Moscow.



Where the Red Stock Exchange Meets

is made in the offices of the brokers, or in the restaurants and cabarets. The red exchange opens usually about 10 A. M. and closes at 2 P. M. After 2 o'clock everything is over, and Ilinka is deserted. But then the brokers and their customers spend the time in the various gay cafés or tea rooms, which are fitted out with Oriental splendor and serve all kinds of meals and drinks from caviar and sterlet dinners to Scotch whiskies and French champagnes. For money you can get everything. A dinner of six courses costs 3,000,000 rubles, or \$1 to \$2, while a genuine bottle of Scotch whiskey costs 9,000,000 rubles, or \$6.

Millions Inadequate

The brokers at Ilinka do not deal in millions, but in billions, trillions, quintrillions, and the numbers above those are called "emeralds" and "pearls." One sees here moneys of all nations—dollars, pounds, marks, francs, pesos, etc.—yet the values of all the various exchanges are treated on the gold bases, which seem to correspond with the views of the leading stock exchanges of the world. The price regulation system of the red exchange is really phenomenal. Its unknown members and officers apparently know the daily quotations of the London and Paris exchanges, and keep their transactions on the same level. As soon as the German mark falls in London, it falls also in Moscow.

Plenty of Gold.

There is plenty of gold in the hands of the members of the red stock exchange. When a Russian wishes to leave the country and wants to exchange the Soviet paper rubles either for gold rubles or for certain foreign money, he must get the money from the red stock exchange. The people sell and buy moneys at Ilinka; they buy and sell foreign bonds and stocks; they sell or buy the domestic bonds and stocks of the time of the Czar. The red exchange transacts the business of mortgaging properties and financing new industrial enterprises. The Soviet officials sell through the red exchange their loots and concessions.

Nearly every morning before the red stock exchange opens one sees all kinds of brokers, hurrying to their Ilinka offices, with satchels in hand, or portfolios under the arm, bulging with money and securities. There are at least half a dozen large restaurants where the transactions are celebrated or deals planned, over tables covered with all kinds of delicacies and liquors. The brokers and their customers eat and drink here till after midnight.

In these Ilinka Street restaurants the members of the red stock exchange meet and discuss the policies, make plans and decide upon measures in dealing with the Soviet officials. Here some minor sales are made and money is gambled freely. A billion ruble bill is a

normal affair in these "comrade" restaurants. It is in these places that most of the Soviet commissars spend their quickly accumulated fortunes and sell government secrets or privileges to business men. Here is a bit of a Soviet cabaret conversation, carried on between a commisar, his sweetheart and the red broker:

Sale of a Monopoly

COMMISAR: "Comrade, I can sell you the tobacco monopoly in the province of Tver for three billion rubles a year (\$2,000). One billion by signing the contract; the second, after the first half year, and the rest a month before the year expires."

BROKER: "Don't talk nonsense! I'll pay you two billions, which is equal to 50 per cent., to you and fifty to government."

WOMAN TO BROKER: "Dear Vasily Ivanovich, you must understand, we cannot live on the poor salary we get, and we have to divide the commission, fifty fifty, with men higher up. We must get one billion, the other goes to our superiors and the third goes to the government."

After some dickering and discussion the agreement was signed at three billions, and the broker then sold the monopoly to a German cigar manufacturer from Riga for six billion rubles. The broker made \$2,000 commission that very evening without paying a penny.

The brokers of the red stock exchange work usually on a 60 per cent. commission to begin with. The red stock exchange brokers make money quickly, but they lose just as quickly, due to their boldness in dealing with the commissars or functionaries of the Soviet. Sometimes a concession is secured for a low price, money is invested, and finally the venture collapses. The red stock exchange has made not millionaires, but billionaires and trillionaires. There are even several emeraldaires, whose actual riches are unknown to themselves.

Monopolies Sold

It is not unusual that monopolies of whole provinces, palaces, and concessions of vast regions are bought and sold on the red exchange. The red stock exchange is so at home with its illegal posi-

tion that it does not bother about it at all. Since most of its brokers have invested heavily in the speculation of the Soviet's communistic possessions, they naturally support the Soviet and prefer its continuance to any other form of government.

One of the great sensations of the red stock exchange was the formation of huge Soviet trusts: Meat Trust, Lumber Trust, Steel Trust, Sugar Trust, Textile Trust, Transportation Trust, Building Trust, etc., which were offered by its brokers now to native speculators, then again to foreigners. Herr Stinnes is negotiating at present for the purchase of the Steel, Lumber and Export Trusts. Hollander and Englishmen are among the red brokers, but the largest percentage is composed of the Jews. The trust fever has subsided as the general policies of the Soviet and corruption of its commissars and leaders makes the development of the trusts practically impossible. One has to bribe commissars here and there until no profit is left.

Rules By Usurpation

Stinnes's idea of securing a number of the Soviet trusts is to introduce his individually employed German police to protect his interests, on the one hand, and on the other, his policy is somewhat monarchistic and reactionary. Herr Stinnes knows that the "comrade" government is too shaky, and will fall as soon as the people can hold a general election of their representatives. The Soviet rules by usurpation and political tricks, as none of its forty-two *vzirk* members are even elected by the so-called proletariat, whom they pretend to represent.

The Soviet is 99 per cent. more despotic than the overthrown government of the Czar was; there is not even as much freedom under a potentate of the Dark Ages.

No One Seems to Work

The most shocking impression of Russian life is its absolutely helpless state and the gloom that seems to hover over the vast country. No one seems to work, nor to have a desire to work. Ignorance and indifference are the prevailing characteristics of

Russia. The Soviet is manufacturing wonderful theories—air castles of Utopian conditions—and feeding the public with these theories. Like a huge octopus, it sucks out the life-energy of the nation. It does not work itself, neither does it let others work. Corruption, speculation, hysterics, vandalism, torture and death face an enlightened visitor at every step. (I mean a visitor who cannot be fooled by publicity agents and propaganda bureaus of the communists.)

The red stock exchange is one of the leading illegal institutions, yet all the Soviet functionaries make use of it for their personal gain. The Soviet does not tolerate law; it issues canonical decrees and rules which are supposed to last only for the time being. There is no law that protects anyone from being arrested, executed and deprived of everything he has, yet there are rules that prescribe to commissars the maintenance of peace and order. The Soviet system is establishing a kind of social life, where everything will be dependent from a red broker and a communistic commisar. The one is the political, the other the economic master of the system.

Manipulates Prices

The red stock exchange is less than two years old, yet it has al-

ready got into its grip nearly the whole financial system of Russia. It manipulates all the prices and concessions, and has covered the country with a network of branch exchanges that reach their insidious fingers to the smallest towns and villages. The red stock exchange has opened credits in London, Paris, Tokio, Buenos Aires, New York and Berlin. It has shipped Russian gold to American banking houses, and is now making elaborate plans to sell Russia to the American speculators.

The red brokers are mostly men of reckless type, who have gone through the whole gamut of the terror, first as red guards, then as agitators and propagandists, then again as agents of the communists, or as commissars and profiteers. Many of them have been sentenced by the revolutionary tribunals to be executed, and are even on the list of the dead, for some crime they committed. They are hardened gamblers, self-made men, mostly with very little education, and perfect parvenus in their character. Having gone through everything, they do not mind raids, arrests and threats. They know their money will buy everything.

The red stock exchange of Moscow is so firmly established that the Soviet is afraid of it. Like a quicksand, it exists without any definite

solidity, without any definite celebrities—at least to the outside world today. The Soviet finds its huge institutions also built upon that quicksand, yet it cannot get away from it. Most of the leading commissars are on the list of the gamblers of the red stock exchange, or they are partners of certain brokers, or they owe money to the brokers. The red stock exchange is the communistic Monte Carlo, the go-between institution between the "comrade"-politicians and the outside world. A while ago it sold the whole of Eastern Siberia for a few thousand dollars to an American, now it is negotiating for the sale of all the looted textile mills of Moscow to a few New Yorkers.

Its Real Use

The red stock exchange of Moscow enables the functionaries of the Soviet to get all they can, invest their money safely abroad, and resign. It enables the leaders to preach communism to the masses and make money for themselves; it enables the Soviet to play hide and seek with the ignorant workingmen; it speaks of ideals, while filling its own pockets; and it enables a handful of adventurers to wreck and kill while the civilized world looks on and washes its hands of responsibility.

Membership Dues

On page 74 of the August, 1922, JOURNAL reference was made to the certificate-drafts sent to members in connection with membership dues for the fiscal year ending September 1, 1923. It is gratifying to report that a very large percentage of members have remitted for dues which under the by-laws are payable in advance as of September 1.

The membership is nearly 23,000, or over 70 per cent. of all banks, and there is an enormous amount of work in connection with the collection of dues. It is the desire of the officials that the collection of dues be completed at an early date, thereby eliminating delay or correspondence. Members who have not remitted are respectfully urged

Convention Calendar

DATE	ASSOCIATION	PLACE
Sept. 7	Delaware	Rehoboth
Sept. 13-14	Indiana	Indianapolis
Sept. 22-23	New Mexico	Las Vegas
Sept. 26-27	Nebraska	Omaha
Oct. 2-6	American Bankers Asso.,	New York City
Nov. 10-11	Arizona	Bisbee

to do so promptly. **REMITTANCES SHOULD BE MADE IN NEW YORK FUNDS DIRECT TO THE AMERICAN EXCHANGE NATIONAL BANK, NEW YORK, AND CHECKS MADE PAYABLE TO THE ORDER OF THAT INSTITUTION.**

Southern Special

For the convenience of delegates attending the American Bankers Convention, October 2-6, arrangements have been perfected to operate a special train from Atlanta, upon which it is proposed to assemble bankers from Alabama, Florida, Georgia, Louisiana, Mississippi and Texas.

Delegates from adjacent states or from points on the route of the Southern Railway between Atlanta and New York are invited to take reservations on this train.

The members of the executive Council of the American Bankers Association in the states affected and the secretaries of the states will serve on the transportation committee.

Greater Protection for Member Banks

Now Investigates Crimes of Violence Occurring on the Street As Well As Inside. List of Offenses Coming Within Jurisdiction of Department's Operations Includes Forgery, Check Raising, Sneak Thefts, Swindles, and Attempted or Successful Hold-Ups and Burglaries

UPON the initiative of President Thomas B. McAdams, an important change has been made in the rules of the protective features of the American Bankers Association that not only adds to the value of this service to members, but also throws greater protection around their employees, whose lives are placed in jeopardy in the discharge of their duties, whether inside or outside their bank.

For twenty-six years an unbroken rule of the Protective Committee has precluded the investigation of any crime taking place outside a member's banking rooms. This, of course, excluded messenger hold-ups outside a bank. In such a case the funds leave the bank and it was deemed that the investigation involved a risk and expense too great for the Association. Therefore, the Protective Committee had consistently refrained from handling street holdups.

President McAdams recognized, however, that if for no other reason, consideration of humanity demanded that every possible protection be given the men who risk their safety in transporting bank funds. It was his opinion that the prospect of relentless pursuit by the agents of the American Bankers Association would serve as a deterrent to criminals in attacking messengers, and he believed they should be given the benefit of such protection.

Protective Rule Number 1, providing for investigations, has accordingly been made more comprehensive and now includes "cases of holdup, burglary, or other crimes of violence involving physical injury to, death of, or jeopardizing the life of any officer or employee while engaged in pursuit of the member bank's business, whether inside or outside the bank."

The case that focused Mr. McAdams' attention upon this matter was the holdup May 15 of T. W. Watkins, assistant cashier of the

Citizens Bank, while acting as messenger between his own and the Union National Bank of Springfield, Mo. Mr. Watkins was shot and seriously wounded and robbed of \$20,500, and his attendant guard was also badly hurt.

S. E. Trimble, vice-president of the Union National Bank and a member of the Executive Committee of the National Bank Division, reported the case to the Association, but under the then existing rules the Protective Department's hands were tied and it was unable to undertake an investigation because of the crime having been committed outside of the bank.

It was so apparent that the Association should take an active interest in preventing crime of this character where the lives of employees were placed in jeopardy that the President immediately brought the matter to the attention of the Protective Committee, with the result that his recommendation was adopted and the action confirmed by the Administrative Committee.

The Association, through its agents—The William J. Burns International Detective Agency, Inc.—is now prepared to investigate without expense to the member banks, if the case be reported within ten days after discovery:

Forgery;
Check raising;
Sneak theft;
Swindle, including mortgage swindle;
Attempted or successful holdups;
Attempted or successful burglaries;

Holdup, burglary or felonious crime perpetrated on an officer or an employee outside of the bank, while in the discharge of the bank's business, where their life is placed in jeopardy.

The Association will not investi-

gate at its expense cases of the following types:

Where the bank is protected by an indorser;

Where the bank does not itself sustain a loss; exception being made, however, to crimes of violence involving physical injury to, death of, or jeopardizing the life of any officer or employee while engaged in pursuit of the bank's business, whether inside or outside the bank;

Where there is a mysterious disappearance of money or securities from the bank or safe deposit boxes;

Where the member has been defrauded by permitting withdrawals against items before returns have been received;

Where a fraud or crime has been committed by an officer or employee of the member, either alone or in collusion with others, inside or outside the bank;

Where it is evident the bank is guilty of contributory negligence;

Defalcation of employees;

Cashing checks for customers or strangers—this is merely an extension of credit for which the bank must assume responsibility.

Each member is furnished signs, showing membership in the American Bankers Association and Protection by the William J. Burns International Detective Agency, Inc.

Cases outside the rules of the Protective Committee will, if desired, be investigated at the bank's expense by the William J. Burns International Agency, Inc., at actual cost to the Association, viz.: \$8 per day and expenses for each investigator.

The rules of the Protective Committee are published in full in the Protective section.



1



2



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2



4

See New York in October

(A. B. A. Convention, October 2-6)

1. The Obelisk, Central Park
2. Sherman Statue with Plaza Hotel Showing at the Right; Vanderbilt Residence in the Foreground and Heckscher Building Towering Back of It
3. Metropolitan Museum of Art, Fifth Avenue
4. The Mall, Central Park

AMERICAN BANKERS ASSOCIATION
CONVENTION
OCT. 2-6

COME TO NEW YO



3



4



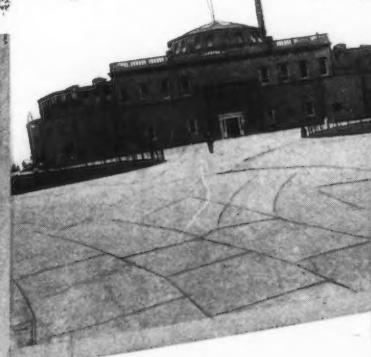
2

1. Metropolitan Life Insurance Company Building, Madison Square
2. Statue of Liberty, New York Harbor
3. Public Library, 42nd Street and Fifth Avenue
4. Manhattan from the Brooklyn Tower of Brooklyn Bridge



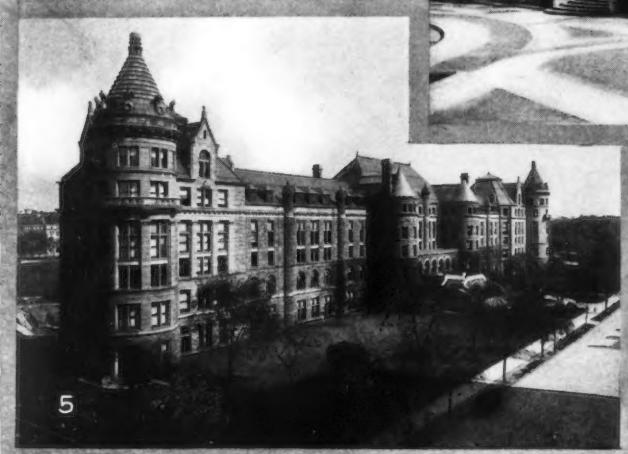
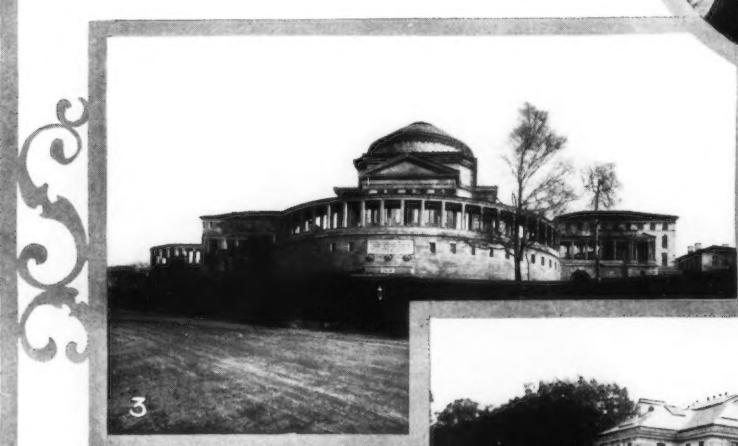
YORK IN OCTOBER

AMERICAN BANKERS ASSOCIATION
CONVENTION
OCT. 2-6



5. Old City Hall and the Municipal Building at the Right
6. Front of the Stock Exchange from Sub-Treasury, on Latter Site Washington Took Oath as First President
7. The Aquarium, Battery Park
8. Battery Park and the Lower End of the City from an Aeroplane

Photos copyright by Brown Bros., and
Underwood & Underwood



See New York in October

(A. B. A. Convention, October 2-6)

1. The Library, Columbia University
2. General Grant's Tomb, Riverside Drive
3. The Hall of Fame for Great Americans, University Heights
4. Italian Garden, Bronx Park
5. Museum of Natural History, Central Park

"It Happens in Every Bank"

By JOHN ROGERS

Reasons Why New Business Is Elusive. The Customer Wants the Banker to be Interested in the Real Story of His Business and to Take a Partner's View. Danger of Attempting to Give the Customer an Education

IT happens probably in every bank. At least, it happens in every bank with a new business department or an officer with a new business penchant. The incident runs about as follows:

The bank has acquired a keen interest in the size of Mr. Smith's deposits in other banks. It would welcome a similar deposit on its own books. Some one approaches Mr. Smith, talks him into the bank's special atmosphere, studies his particular problems of marketing and financing, and at last assures him that he will find at least one sympathetic bank officer in Vice-President Jones. Mr. Jones, one remembers, used to live on the Pacific Coast, and Mr. Smith now has a branch office there. Mr. Smith is duly elated at the prospect of meeting a vice-president in New York with a west coast intellect and sympathies. A meeting arranges itself.

The Interview

Still, a deposit from Mr. Smith fails to materialize. Some one approaches Mr. Smith again. He is polite. He found Mr. Jones quite charming. He enjoyed Mr. Jones' luncheon at the Bankers' Club. By the same token, would not Mr. Smith enjoy becoming a depositor in a bank so proud as to list Mr. Jones among its officers? Well—to tell the truth—Mr. Smith does not see how that would particularly benefit his present business, which is quite well handled by three other New York banks. But Mr. Jones understands the west coast so well. Perhaps—but not all the peculiar details of Mr. Smith's business on the west coast. In fact, Mr. Jones had not been in California for some time. Mr. Smith found him to be unfamiliar with some of the latest developments among the citrus growers. And—confidentially—Mr. Smith resented it a little when Mr. Jones tried to tell him how he ought to run his business. The advice

was friendly, of course, but unnecessary. And so on ran Mr. Smith's tale. As I said, it happens in every bank.

The Crisis Passes

Sometimes the incident has variations. Occasionally the man with a new business turn has caught the inspiration to build up the size of an existing account—that of Mr. Blank, an importer. The inspired one calls on Mr. Blank. The call is peculiarly opportune. The bank has just refused to let Mr. Blank withdraw some hog bristles on trust receipt. Mr. Blank bears no grudge against the inspired one, and shows him all the details of the transaction, and many other similar ones. A rival bank is according him privileges far more significant than that of trust receipts. Mr. Blank feels that the time has come to withdraw his deposit—this after five years of pleasant relations—and also to tell his friends in the importing world something of the bank's policy as he sees it.

The inspired one begs him to withhold action for twenty-four hours. Credit files divulge their secrets. On the confidential information sheet there is a red check. Opposite the check is a statement that six years previous to this, Mr. Blank went into bankruptcy. The vice-president in charge of the foreign department grants the inspired one a hurried interview.

"Of course I turned him down," says the vice-president. "His balance is only \$10,000, and he wants to withdraw \$15,000 worth of bristles. He has been bankrupt once before. We cannot take the risk—not in these days. A trust receipt is not good collateral."

"Have you read the second page of the credit file?" asks the inspired one.

"No—do you think I have all day to go into a matter of that size?"

"But it says that after being dis-

charged from bankruptcy, Mr. Blank has since voluntarily paid up 100 cents on the dollar. It also says his bankruptcy was due to the failure of the concern he represented, but not to any financial misjudgment of his own."

The vice-president scratches his head nervously.

"Well—let him draw out his bristles then. I cannot be bothered any more with the matter!"

Armed with this, the inspired one returns to Mr. Blank, and the crisis ends. But Mr. Blank's balance drops thereafter to an average of \$5,000. He is not entirely silent about the bank when among his bosom importing friends. He is a bit ironic when he reads the bank's advertisement the following month, offering its special facilities to traders in foreign lands and goods.

The Why of New Business

We might extract a pungent moral from both tales. But rather more pertinent than a moral would be a brief analysis of the "why" of new business. All banks desire it. Many seek it. All of them find it strangely elusive. I am going to attempt to explain this elusiveness. Fortunately, I have been both inside and outside of a bank, and both inside and outside of the banking business. From this I have gathered one or two meager threads which may serve to weave a plausible explanation.

First of all, the typical banker seems to be fond of asserting that he is "in the banking business." This sounds like a truism, but there is another consideration. The bank is morally a silent partner in every business to which it lends support. The business man who comes to the bank for money feels this keenly. He believes that the banker's success depends on his own. He probably forgets, half of the time, that the banker is a trustee and has double and triple responsi-

bilities to keep in mind. But he does know and feel that the difference between a bank and a pawnshop measures the distance between a business partner and a mere money lender. Hence he expects the banker to talk the language of the merchandiser or the manufacturer. And when the banker talks as if banking were a separate business by itself, the business man receives, perhaps subconsciously, a mental jolt.

The banker is, or ought to be, one of the best informed business men in the world. Yet suppose we look facts in the face. How long is it since banks—I refer always to commercial banks—have investigated the income profit and loss accounts of their clients as well as the balance sheets? Is not the shortcoming of the modern banker measured all too clearly by the difference between an income account and a balance sheet? In self-justification, the banker will reply that his loans are for brief periods only, that he is interested in the quick asset position of the borrowing company, and that the income account belongs to the realm of the investment banker. There is a modicum of truth in this. But remember that I am trying to explain the elusiveness of new business by showing the reaction of the business man to the banker. The business man knows that his income account tells the real story of his business. Whether essential or not, he wants the banker to be interested in this real story. He wants the banker to take the quality of interest a partner would take. And the banker who knows this, and respects the point of view it springs from, finds new business far less elusive than his competitors.

Being Busy

As a second point of explanation; the banker likes to be busy. This is praiseworthy. But he should be busy, or seem to be busy, about his clients' business. It may be that the vice-president of the foreign department is very busy trying to repair the effects of his own poor judgment on some loan. But that is no adequate reason for making a second mistake in judgment about the credit of the bristle importer. The business man is less able, per-

haps, than the banker to think in round numbers. But he has a normal and proper endowment of egotism—possibly a family to support, too—and he does not like to see his own business imperilled through the mistakes of his bank in entirely different quarters.

Respect His Egotism

Once more, let me say that I am not condemning the banker for looking after the safety of his loans before taking on new commitments. But I am trying to explain the customer's point of view, and why he is elusive with his new business. He may be a very petty egotist not to have at heart the bank's vastly larger problems. But I submit that he will be productive of new business for that bank only if the bank respects his petty egotism and gives him the precise kind of service for which he comes, and at the very time when he, the petty egotist, needs the service. If the bank can not afford the increased overhead of more officers, then so much the worse for the bank. But it can not expect new business to fall to it regularly and consistently unless it can manufacture the time and the personnel to take each one of its petty depositors seriously. The customer is pleased enough to see busy bank officers busy, that is, over his own petty affairs. He will never think of supplying new business to bank officers whom he sees are already too busy over the business of the bank at large.

They Resent

I now come to a far more delicate point. But it would not be the part of real friendliness to withhold what I know to be a very widespread feeling among business executives. They resent having to ask business assistance from a man who knows far less of their problems than they do. If the banker shows a normal degree of intuitive understanding, this gap is bridged. But if, in addition to his estimate of the balance sheet and income account, he undertakes to give his customer a general business education, the subconscious result is painful.

This View Prevails

The business man too often looks upon the banker as an amateur. This view may be grossly mistaken. But it prevails. Only the exceptional banker can overcome and dispel it. It is perhaps the ultimate dynamite beneath new business elusiveness. The banker is surrounded by much pomp and circumstance. Naturally, it feeds his self-respect. At the same time, it undermines the self-confidence of customers, and engenders resentment. In order to restore his own importance, the customer falls back upon the rock of his specialized knowledge. He is on the alert to detect the slightest slip of the banker, the slightest sign of ignorance. There are but two ways of disarmament. Either the banker must prove the extent of his general business training by interested discussion of the customer's problem; or, if he actually is ignorant of the matter in hand, he must admit it with due charm and candor. The customer will be ready enough to assume the rôle of instructor. But for one instant let the banker pretend to a knowledge he lacks, and the customer will pounce on the pretence with joy. He will never direct new business through a gateway of bluff. He will place new business where he places his professional respect; or, lacking that, where he places his personal respect and discovers a boost to his self-confidence.

New York, which heads the list of per capita incomes with \$874, is closely followed by Nevada, California, Delaware, Wyoming and Massachusetts, all with per capita incomes around \$800. The average income of the gainfully employed shows variations from the per capita income, due to the wide differences in the character of the employment of the population of the various states. South Dakota and New York head the list with just over \$2,000, while on the other hand Alabama and Mississippi are both under \$900. In the East North Central States the average incomes of the gainfully employed ranged as follows: Ohio, \$1,725; Indiana, \$1,524; Illinois, \$1,889; Michigan, \$1,752; Wisconsin, \$1,473.

Changing Conditions on the Farm

By A. C. TRUE,
Director States Relations Service, U. S. Department of Agriculture

Thirty-five Thousand Agricultural Communities Are Getting the Benefit of Better Methods in Both the Fields and the Homes. Increasing Efficiency, and Adding to Productivity of the Land. A Comprehensive View of Government Aid Designed to Simplify the Problems of Every Member of the Family

EIGHT years have passed since the passage of the Smith-Lever Cooperative Agricultural Extension Act. In 2,100 counties out of about 2,650 agricultural counties in the forty-eight states there is now at least one extension agent devoting his entire time to giving demonstrations, instruction and information to the farming people on vital matters relating to agriculture and country life. That this system of practical education is strongly endorsed by the farming people is shown by the fact that during the last year, in spite of the severe economic depression in agriculture, the number of counties having extension agents has been increased through county appropriations and contributions from farm organizations.

Home Demonstrations

In addition to the county agricultural agents, there are home demonstration agents in about 750 counties and special agents for boys' and girls' clubs in 200 counties. The work of the county agents is supplemented by a force of about 750 specialists in the various branches of agriculture and home economics, who work out from the agricultural colleges, and by state and district leaders who supervise the county agents and carry on extension work in counties without agents.

It is estimated that there are in the United States 45,000 communities or groups of farming people through which extension work might be conducted. In 1921, 35,000 of these communities were in counties having the service of an extension agent and 25,000 had some type of organized extension work in operation. Through this work it is estimated that during that year over 2,200,000 farm practices and 650,000 home practices were changed.

During the last year the funds from all sources devoted to the extension work aggregated about \$18,500,000. Of this amount about \$6,700,000 was contributed from the Federal treasury and \$11,800,000 from sources within the states, of which about one-half came from the county governments, farm organizations and individuals. About \$9,670,000 was spent for county agricultural work, \$3,250,000 for home demonstration work, \$1,250,000 for activities dealing with young people, \$3,000,000 for extension specialists and \$1,330,000 for administration and publications.

Originally the work in agriculture dealt chiefly with the production of crops and live stock, but in recent years much attention has been paid to economic problems, including farm accounts, cost of production, marketing, organization and conduct of cooperative associa-

tions, etc. Economic conditions recently prevailing have naturally led the farmers to place great emphasis on the problems of distribution of agricultural products and, for the time being, to neglect somewhat the problems of production. They now are beginning to see that with the present tendency toward relative stabilization of prices it is very important for them to give more attention to the problems connected with economic and satisfactory production and the preparation of their products for marketing. There are, therefore, more calls on the extension agents for information about good varieties, methods of culture, breeding and feeding of animals, prevention or treatment of plant and animal diseases, repression of insect and other pests, farm machinery, standardization and packing of products, etc.

On The Farms

Rural Transformation

Though possessing interest of detail, the best value of this survey of the present status of agricultural extension work is in the picture it suggests of a mammoth change taking place in our greatest industry — a change which makes the effort of the farmer more productive, and less uncertain, takes away some of the disappointments, turns failures into successes; a change in the home, as well as the field, whereby household drudgery is lessened, hope supplants discouragement and new ideals are formed, a change, too, whereby more boys and girls are enabled to see the opportunity that lies in the soil and out in the open instead of seeking it in the cities. No great movement, good or bad, can take place on the farms without causing a like reaction in the cities. The transformation of farm methods and farm lives indicated by the accompanying article may necessitate new methods and new opportunities in many lines where the farmer is a big purchaser.

The demonstrations carried on by farmers on their own farms with the assistance of the county agents and extension specialists have from the beginning been an important and distinctive feature of the extension work. These deal with many phases of farming. In 1921 there were nearly 85,000 demonstrations relating to crops, 22,000 relating to live stock, and 31,000 relating to poultry. In addition, the agents assisted the farmers in obtaining high yielding seed stocks and improved types of live stock. For example, there were 9,800 demonstrations relating to the various phases of corn production; and as a result of these demonstrations and those conducted during the previous years 1,600,000 acres were planted with selected seed corn and 64,000 farmers were influenced to test 240,000 bushels of corn used in planting 1,500,000 acres. In addition, 160,000 farmers selected 930,000 bushels of seed corn in the fall

and 43,000 farmers secured 135,000 bushels of improved seed.

Seven thousand farmers and 2,500 boys agreed to cooperate with the extension agents in growing cotton on their own farms according to methods advocated by the agents. As the result of this, 38,000 farmers adopted better methods in growing cotton. Through demonstration meetings, publications, and items from the local newspapers, 105,000 other farmers changed their methods.

During this year, 26,000 farmers conducted demonstrations in growing various types of legumes. As a result of this work, 350,000 farmers were planting legumes for the first time or had changed their method of growing them. Three hundred and ten thousand acres of legumes were turned under in order to improve the quality of the soil.

The agents also reported that 275,000 farmers followed their advice as to the use of commercial fertilizers, and that 37,000 farmers used 550,000 tons of lime as a result of extension activities.

One of the principal methods of improving animal production through extension work is the introduction of high yielding, pure-bred live stock. During 1920 this included 6,800 dairy bulls, 16,100 dairy cows, 5,400 beef bulls, 6,300 beef cows, 15,000 boars and 2,800 rams. This means that in an average county the extension agent secured the introduction of three pure-bred dairy bulls, two or three pure-bred beef bulls, and seven pure-bred boars.

As the result of the extension activities, 125 associations for the purchase and use of pure-bred bulls were organized with a membership of 4,500 farmers using 675 pure-bred bulls in herds composed of 5,400 pure-bred dairy cows and 26,500 other cows.

Another type of popular extension work is that relating to poultry. During the year, 260,000 farmers or members of their families put into effect better poultry practices, growing 6,000,000 chickens and producing over 10,000,000 dozens of eggs by methods demonstrated to them. (There were over 12,000 boys and girls enrolled in poultry clubs.)

Sanitary Conditions

The extension agents also aided the farmers in organizing various associations for buying farm supplies or selling their surplus products. The amount of business done by associations organized during

sausage, and 9,500,000 pounds of other meat were cured.

Through special campaigns looking toward the increased use of milk, 175,000 children added milk to their diet, with a resulting benefit to their health.

During the year, 66,000 women enrolled as demonstrators in clothing, and 110,000 families adopted one or more of the practices demonstrated, with 105,000 new garments made, 37,000 remodeled, 48,500 dress forms built, and 7,500 hats made. Altogether 400,000 articles of clothing were made or remodeled. This type of extension is at present very popular among the farm women.

The extension agents have also done much toward improving sanitary conditions, preventing disease, introducing running water, bath rooms, labor-saving devices and other conveniences, and making farm homes and their surroundings more attractive. They have also cooperated with farm organizations, schools and church authorities, and welfare agencies in providing rural communities with



County Extension Agency

1921 amounted to about \$75,000,000, with a saving to the farmers of over \$9,000,000. The savings to the farmers as a result of business done by associations organized in 1921 and in previous years were sufficient to pay for the entire extension system.

The home demonstration agents help the farm women and girls to add to their income and improve the diet of their families through the production, preservation and sale of vegetables, fruits, meats, poultry, eggs, etc. Over 2,650,000 containers of fruit and 6,900,000 of vegetables were put up in 1921 according to the instructions of the extension agents. In addition, over 700,000 pounds of poultry and meat were canned, 4,000,000 pounds of

better roads, schools, churches, libraries, social centers, recreation and other means which break down the isolation and tedium of country life and reinforce its natural attractiveness.

For Boys and Girls

Special attention has been given to measures for interesting boys and girls in the work of the farm and the home, and stimulating them to prepare for leadership in the improvement of agriculture and country life through their own achievements and a broader education in school and college. Last year 500,000 boys and girls were enrolled in the extension clubs. About 27,500 boys took part in the clubs in which the growing of at least an acre of



THESE BANKERS FLEW FROM CLEVELAND TO DETROIT ON AUGUST 10

Left to right: Roland Rolfs, Manager Aeromarine Airways Co., Detroit; Howard Coffin, Hudson Motor Car Company, Detroit; Jas. A. Hoyt, Vice-President First National Bank, Detroit; Frank J. Campbell, Advertising Manager First National Bank, Detroit; Harry E. Small, Treasurer Morris Plan Bank, Cleveland, Ohio; A. R. Fraser, Vice-President The Guardian Savings & Trust Co., Cleveland, Ohio; Thomas Coughlin, Vice-President Morris Plan Bank, Cleveland, Ohio; R. D. Chapin, Hudson Motor Car Company, Detroit; Edwin Baxter, Vice-President The Cleveland Trust Co., Cleveland, Ohio; J. C. Nevin, Secretary and Assistant Federal Reserve Agent, Cleveland, Ohio; E. V. Hale, Vice-President Union Trust Company, Cleveland, Ohio; J. C. McHannon, Vice-President Central National Bank, Cleveland, Ohio; W. J. Gray, Vice-President First National Bank, Detroit.

corn was the project. The boys who completed this work obtained an average yield of over 40 bushels per acre above that grown under ordinary conditions in their neighborhoods. Fifty thousand boys and 2,600 girls belonged to pig clubs, 7,000 boys and 1,200 girls to the dairy clubs and 4,900 boys to the beef clubs. From the efforts of these children thousands of pure-bred stock were introduced on their home farms. Many thousands of girls took part in canning, sewing and other clubs. The club members gave competitive demonstrations at community, county, state and interstate fairs. In many cases the prizes were scholarships to short courses at agricultural colleges or tours of observation to different parts of the country. In recent years a considerable number of former club members have attended the regular long courses at the colleges.

While the extension agents have spent a considerable portion of their time in visiting individual farms and in aiding farmers through correspondence, publications, press articles, telephone messages and conferences at the agents' offices, yet this personal service has been increasingly supplemented by work with community and county groups. Local demonstrators, committees and other farm leaders have been trained for effective service in spreading useful information and securing mass action of farming

people to improve the conditions of their industry and life. More and more the people themselves have joined in planning and conducting the extension enterprises. Multitudes of farm men and women have thus learned to work together and to realize the advantages of cooperative action.

New Conditions Created

Doubtless one of the most important results of the extension work has been the widespread movement which has led to a great increase of farm organizations for commercial, educational or social purposes. Our farming people now have such intimate relations with public agencies which are constantly accumulating knowledge through their researches and disseminating it through colleges, schools, extension forces and the press that in increasing measure the rural communities are getting trained leaders and large numbers of well-informed farm families. Thus new conditions are being created in the open country which people in other walks of life would do well to take into account. Many business men are already shaping their courses and, as far as may be desirable, changing their attitude and methods to meet these new conditions.

One gratifying feature of the extension movement has been the large and increasing amount of support and cooperation it has received from people living in villages

and cities. In many localities the offices of the extension agents have been in the business centers frequented by the farmers. Often chambers of commerce or other urban organizations have provided these offices and otherwise assisted the agents. By conference with the farm organizations, provision of local markets, assistance in putting on fairs and other meetings of rural people, providing community centers, rest rooms, and in many other ways country and town people have been happily brought together and the general welfare greatly promoted. Bankers in many places have taken special interest in the boys' and girls' clubs and have loaned or contributed thousands of dollars to promote this work.

There is evidently a growing recognition by the general public that the welfare of our country and the permanence of its industries and institutions depend very largely on the success of our agriculture and that this cannot be maintained unless intelligent and well-educated people live and work on our farms. It is therefore essential that the agencies for giving practical and liberal education to the farming people be well organized and so maintained that they will definitely affect the lives of all these people. To reach this end much remains to be done. The increasing success of the extension movement is very encouraging.

Negotiability of Unstamped Note

By THOMAS B. PATON
General Counsel

IT is not infrequent that the maker of a note given in payment of a debt or for borrowed money will forget to affix thereto the necessary stamps required by the Revenue Law and that the affixing and cancelling of the stamps will not be done until the note is negotiated by the payee at the bank.

In this connection the decision of the Supreme Court of Iowa, in *Lutton v. Baker*, 174 N. W. (Iowa) 599, rendered in November, 1919, somewhat startled the banking world. That decision was to the effect that where the note was not stamped it was not "complete and regular on its face" within the meaning of the Negotiable Instruments Act—in other words, it was a non-negotiable instrument and the purchaser of such a note from the payee was not therefore a holder in due course, but must meet any defense of the maker that was good against the payee who transferred it. It was not sufficient that the bank itself affixed and cancelled the stamps upon acquiring the note; the instrument which it acquired was non-negotiable and subject to equities.

It will be of interest to note that the Supreme Court of Iowa has recently modified its former decision and now declares an unstamped note negotiable, although it couples with such decision a judicial expression of opinion that the purchaser of an unstamped note takes it with notice of a defect on its face, which may deprive such purchaser of the status of a holder in due course. The more recent decision of the Iowa Supreme Court is in the case of *Farmers Savings Bank v. Neel*, 187 N. W. (Iowa) 555, decided in April of this year. In that case the bank was the indorsee of certain notes to which the requisite amount of revenue stamps had been affixed, but not cancelled and cancellation was made by the cashier of the bank after the notes were transferred to it. The lower court, in accordance with the *Lutton* case, held that because of the failure of

the proper parties to cancel the revenue stamps affixed to the notes before the same were transferred, they were not regular on their face and were subject to a defense of fraud, which was pleaded by the maker. The Supreme Court reverses the judgment and holds the notes negotiable. It first discusses the law with reference to a note from which the required stamps have been omitted, which, however, was not the case before it, and it says that "revenue stamps are no part of the contract" and "for this court to denounce notes, otherwise negotiable, as subject to defenses, merely because not properly stamped, or because stamps placed thereon have not been duly cancelled by the maker, by writing his initials and the date across the face thereof, would be to impose a burden in addition to the penalty fixed by the laws of Congress and manifestly not contemplated thereby. Not only would this be true, but the court would assume legislative functions and ingraft an additional provision upon the statute. We are persuaded that the court should recede, in part, from its holding in *Lutton v. Baker*, *supra*. The note is not rendered non-negotiable merely because the stamps are not affixed to the instrument."

The court then proceeds to cite the provisions of the Negotiable Instruments Act, showing when the title of a person who negotiates an instrument is defective and providing that actual notice of an infirmity or defect or knowledge of such facts that his action in taking the instrument amounts to bad faith renders it subject to defenses in the hands of a purchaser for value, and in this connection it says:

"The law of Congress requiring promissory notes to be stamped and the stamps cancelled in the manner directed is binding alike upon the maker and upon the acceptor of the instrument. All are presumed to know the law. Is not the failure of the maker or acceptor to cause the note to be properly stamped, without a good faith provision upon their part for causing stamps to be placed thereon be-

fore negotiation thereof, a circumstance tending to impart such knowledge to a prospective purchaser as 'that his action in taking the instrument amounted to bad faith?'

"Every purchaser of a note, negotiable upon its face, is bound to know that the law of Congress requires the maker to affix a certain amount of stamps thereto, and that a failure to do so is a misdemeanor punishable by a fine of not to exceed \$100. We think such omission is a circumstance tending to impart notice of defects to a prospective purchaser. No case squarely in point has been brought to our attention, but the following afford some support to our conclusion: *State National Bank of Texarkana v. Potter* (Tex. Civ. App.), 231 S. W. 828; *Martindale v. Stotler*, 80 Kan. 87, 101 Pac. 629; *Renovo Overseer v. Half-Moon Overseers*, 78 Pa. 301; *Burson v. Huntington*, 21 Mich. 416, 4 Am. Rep. 497."

In the case before it, however, the notes in suit were duly stamped but at the time they were transferred to the bank the stamps had not been cancelled. Upon this state of facts the court decided:

"It seems to us that the mere failure of the maker or signer to cancel stamps affixed to promissory notes is not such an omission or failure upon his part as to create a suspicion as to the bona fides thereof or to charge a purchaser with notice of such facts and circumstances as that his action in taking the instrument will amount to bad faith."

And as a final conclusion the court says:

"It is our conclusion, therefore, that a promissory note, at least under the present law of Congress, is not incomplete nor subject to defenses merely because the requisite amount of revenue stamps is not affixed thereto. It is a circumstance bearing upon the question of notice only, as stated above. In so far, therefore, as *Lutton v. Baker*, *supra*, holds otherwise, it is disapproved."

It appears, therefore, that the Supreme Court of Iowa has receded from its original position and now holds unstamped notes to be negotiable, but expresses the opinion—not necessary to the decision of the case before it—that a bank acquiring an unstamped note may be put on inquiry as to notice of defects. It is doubtful, however, if the court would so decide if the specific case should come before it.

On the same subject the Supreme Court of Kansas, in *Solomon National Bank v. Birch*, 207 Pac. 191, decided May 6, 1922, has held as follows, directly to the contrary of the decision in *Lutton v. Baker*:

"The fact that previous to the transfer of a negotiable note it did not bear an internal revenue stamp, and that one was at that time placed upon it by the person negotiating the transfer in behalf of the holder, does not prevent it from being complete and regular on its face at the

time of its acquisition by the transferee, nor prevent his becoming a holder in due course."

There has been one further decision on this subject by the Court of Civil Appeals of Texas. See *State Nat. Bank of Texarkana v. Potter*, 231 S. W. 828, decided in July, 1921. That court holds that:

"The mere fact that Federal revenue stamps on certain notes were not marked 'Cancelled' at the time of the transfer of the notes to plaintiff holder in due course

was not such a circumstance of suspicion in and of itself as to put plaintiff pur-chaser of the notes on inquiry."

In the light of the present decisions, therefore, it would seem that a bank has little to fear when acquiring a note with knowledge that the revenue stamps have not been affixed by the maker, that the instrument for that reason will be held non-negotiable or subject to de-fenses in its hands.

What Bank Advertising Needs Most

By JOHN A. PRICE
Advertising Counselor Pennsylvania Bankers Association

TOO many banks are failing to make advertising pay because they misconstrue the function of advertising. Rule one, in all successful selling, is that the *product* must be right. Superlative advertising will not continue to sell inferior soap, neither will it continue to sell inferior service of banks.

If this point were more generally understood by bankers throughout the land there would be more self-examination when advertising fails to produce results, and less tendency to blame the advertising.

The average banker, filling as he does the rôle of leading citizen in his community, is prone to accept the consensus of opinion that the things his bank do, in general, are just about right. This natural mental attitude is conducive to a flabbiness which will become chronic unless he is blessed with the qualifications to appraise his abilities and his bank's services with the cold analysis displayed in picking his loans.

In my judgment, too few bankers are willing to take the cold shower of critical self-examination. They fool themselves with the belief that they are progressive because they advertise. Nothing could be more fallacious. The rouge of advertising may give delightful first impressions, but it won't give the ruddy and permanent glow and go which can come only from an up-roariously healthy internal constitu-tion.

Advertising is nothing more than

an interpreting agency. It does not create nor improve service. The advertising of many banks of which I have personal knowledge is false pretense, because it promises a quality and a kind of service which is not being delivered. The advertising is wrongly blamed.

The highly developed and extremely conservative lobe of the banker's brain, speaking in general terms, is the brake on his wheel of progress, if my diagnosis is correct in judging the cause of stagnation which afflicts many institutions.

To be specific, at a recent directors' meeting an advertising ap-propriation of \$5,000 was passed with little or no discussion. At the same meeting a high-grade teller was permitted to leave because the \$300 raise which he asked for would make him better paid than another teller who outranked him by two years of service. "Can't have internal dissatisfaction" was the solemn decision. I happen to know that \$2,500 of that \$5,000 if appropri-ated for sweetening up the salaries all along the line would have rejuvenated the works and pro-duced the results of any \$10,000 advertising appropriation.

I speak with authority when I say that keeping the employees con-tented as to pay is the first step in the right direction in any bank ad-ver-tising campaign, and no appropria-tion I handle is too small for me to suggest diverting part of it to keep a good man or woman happy and industrious.

The thing that the bankers must realize is that the quality of their internal organization is really the big reason for advertising. All the qualifications of strength, age, di-rectors, etc., mean little if the highly impressionable mind of the cus-tomer is not favorably impressed at the point of contact—90 per cent. of which contact is with minor em-ployees.

There is another angle to this. Our banks are honeycombed with dead wood, who measure their worth by the number of years in service. A conservative and senti-mental executive policy carry these people on the payroll. Long tenure of position without much progress indicates one of two things as a rule: Either the individual or the job has reached the limitation. If the employee remains, disgruntled, after the job has reached its limita-tion, he is a debit in the ledger of progress. His dissatisfaction is contagious, and his stagnancy bars the progress of the live ones, ac-cording to the all too prevalent rules of seniority which now exist.

All this has a very vital bearing on the advertising of a bank, be-cause I repeat with renewed em-phasis that an ambitious and happy internal organization is the tap-root of the tree of successful ad-ver-tising. Am I not right when I sub-mit that the average banker fails to see in his clerical force the most potential element in his future progress?

Safeguarding Building and Mortgage Loans

By C. STANLEY TAYLOR

Methods Employed by a Life Insurance Company Before Making Loans on Projected Buildings. Advances Made on Certificates as the Work Progresses if Conditions Are Complied With. Small Institutions May With Profit Adopt Similar Checks

THREE is a gross investment of close to four hundred millions of dollars monthly in new construction.

Economists who have made a close study of the future of the building industry estimate that the average annual investment to be expected in this field is well over three billion dollars and over a period of several years.

The Bank's Part

Based on general averages, it is probable that bankers provide over one-third of this required investment. About one-half of the money invested in new buildings is obtained in the form of mortgage loans, of which about two-thirds is provided directly by savings banks, trust companies, bond houses and credits by commercial banks. In addition to this billion dollar annual loan, with new structures as collateral, a large sum is represented in replacements of mortgages on existing buildings. Another vast sum of money is represented in the credits extended on the paper of building material manufacturers; on stocks of materials in yard and transit and in the direct financing of building contracts.

In this article we shall discuss that phase which deals only with the acceptance of new or proposed buildings as collateral for loans by savings banks, trust companies and other organizations whose business operations in part or in whole may come under the general category of banking.

When we consider the history of real estate during the past two decades it becomes evident that much money has been loaned carelessly. In many instances this carelessness has been proven by unfortunate mortgage foreclosures and the consequent loading of the banker's assets with real properties of doubtful

values—buildings taken under mortgage foreclosure and often sold at direct loss.

By comparison with the grand total of mortgage loans made by bankers, the element of direct loss may be small, but it must also be realized that in financing building construction the banker assumes a direct economic responsibility. In part, he is chargeable with the waste resulting from poorly planned buildings and those inefficient of purpose. It is his fault directly if he loans money for the construction of buildings wherein the use of poor materials, equipment and workmanship allow expensive and rapid depreciation, coupled with high maintenance costs. He is at fault again if his appraisal fails in proper business analysis, allowing poor investments in building enterprises.

Bankers' Control

As never before, in practically all industries, the banker has assumed a large measure of economic control. It is therefore proper not only to point out certain practical measures for the safeguarding of building and permanent mortgage loans, but to demonstrate the power of the banker in this field and to measure the control which he may and should assume toward the elimination of waste in this great industry.

When a practical problem is presented, perhaps the easiest demonstration of its solution is to provide a correct example. For this purpose we have elected to describe the methods through which the Metropolitan Life Insurance Company, probably the largest single loaning institution in this field, protects its investments and exercises a strong measure of economic control. The system of appraisal and supervision of loans represents the

experience of many years of activity in the building mortgage field. It is not to be expected that the average bank can maintain such an elaborate system as that required where loans at times aggregate over \$40,000,000 monthly, but the method of appraising supervision and control are generally applicable.

Phases of Analysis

Any mortgage application which is presented to the company passes through two distinct phases of analysis and control. The first stage is the business analysis, which is carried out under the direction of the comptroller of the company and the deputy comptrollers. This consists of a careful consideration of the location and plan of the building to judge the practicability of the enterprise from the viewpoint of investment; possible increment in value; rental returns and maintenance costs. If the particular project in question does not seem practical it is turned down or returned with recommendations for required changes. If, on the other hand, the application passes favorably through this business analysis, the plans go to the architectural department.

Often a builder approaches the company before his architectural plan is worked out, with the purpose of finding out whether its officers are favorably inclined to lend on a building of a certain type in a specific location. In such a case the borrower is informed that a loan will be made on the proposed building with the proviso, stated in the loan contract, that the drawings and specifications shall be subject to the approval of the lender's architect.

If the working drawings are completed at the time application for a loan is made, the architect reviews them and he may approve the draw-

ings and specifications either as presented or with certain modifications or revisions. Or he may disapprove them entirely, in which case the loan is then refused by his client. It is more satisfactory both for lender and borrower if the loan is applied for before working drawings are developed.

List of Requirements

The insurance company's architect keeps in touch with the owner's architect as his design progresses, making a few suggestions or criticisms, and occasionally requiring features which he deems essential to the good of the building, which means the best interest of both owner and lender. To facilitate this cooperation, the architect sends to the owner a "form letter," which varies with different kinds and grades of buildings. This form letter is in reality an outline specification and covers only important points which, experience shows, are frequently overlooked or else wrongly specified. It comprises seven pages, containing a list of routine requirements which the designing architect can embody in his drawings and specifications; and, it may be remarked, he may easily secure a waiver or modification of any requirements if he has adequate reasons for so doing.

Specifications Submitted

In addition, specifications must be submitted covering the mechanical equipment and painting and plastering, and the following details:

Surveyor's map, foundation work, details of door jambs and similar details, including kalamein trim, details of fireproofing, such as floor arches and column furring; shop drawings of fire-escapes, complete plans of water piping, showing locations and sizes of all hot and cold water piping, heating plans, similarly complete, and details of any vault lights.

Samples of the following materials must be passed on:

Face brick, fireproof doors, corner beads, all hardware, elevator door hangers, marble and mosaic.

It will be seen from the above that the architect, working for the

best interest of the borrower, who pays his fee, keeps a firm hand on the preparation of all the details of design and construction. But even this, however, does not complete the process. The inspection is carried into the field, extending to all the details of construction. The construction work is inspected at frequent intervals, as the needs require, sometimes as often as once or twice a week. Experience has proved that there are certain stages in the construction in which special inspection is required. Particularly important is the inspection of the bottoms of excavations before the footings go in, in order to make sure that the soil will carry the loads. It is surprising how often this principle is disregarded.

When Tests Are Made

A representative is also present when important tests, such as plumbing tests, are conducted. Experience has shown how necessary are the plumbing tests. A water test is required on all lines, including the soils, since defects in soil piping may permit the escape of gases in the building for an indefinite period. The smoke test has been found to be essential, as the only way to detect defects not apparent on the surface.

All these steps are necessary before the builder can obtain the installments on his building loans as they come due. Advances are made on the certificate of the company's architect in the same way that ordinarily the client's payments to a contractor are made on certificate of the latter's architect.

Such in outline is the method by which is insured the security of the insurance company's loans. It is clearly a most responsible work and it requires the services of an experienced architectural organization, containing expert construction specialists, as well as experts for heating, plumbing and electrical installations. These experts aid in checking structural and mechanical drawings and details and in making the field inspections. Experience has shown that the checking of the structural steel work is particularly needed, since often the structural steel does not measure up to the legal requirements, oftentimes being

15 per cent. to 50 per cent. weak. Consequently the checking of steel is done with great thoroughness.

Naturally, it is impossible for all banks to maintain such an elaborate system of protection, but a local architect may furnish the analytical supervision described in preceding paragraphs. Such service, coupled with the business judgment of the banker, will go far toward safeguarding mortgage loans and preventing direct losses on wasteful projects.

For How Long?

During the present year, according to an unofficial estimate from Washington, 12,000 persons will be killed in automobile accidents in the United States. There is little need for comparisons to help to a visualization of this slaughter, but at this rate we in three years kill more of our people than we lost in action during the war with Germany. The number of our men killed in action during the overseas conflict was 34,248.

The latter loss was necessary, but the enormous waste of life on city streets and country roads is needless and probably for the most part occurs while people are hurrying, not to expedite business, but in the pursuit of pleasure. We are wont to look with wonder, with pity, with contempt upon those people of the Far East who in religious ecstasies threw themselves under the wheels of the sacred car, but our own intelligence and our own civilization gain nothing by such a comparison. Surely the intelligence of the American people soon must call a halt to this needless, brutal waste of life. The condition is grave enough to command the attention of every patriotic man and woman in the country.

The Chemical National Bank of New York announces the appointment of Ernest J. Waterman as trust officer, succeeding Edwin Gibbs, who resigned to become associated with the banking firm of Lehman Bros., New York City. Stephen L. Jenkinson was named assistant trust officer.

The Condition of Business

THE latter part of July and the early weeks of August brought some reaction in the steady recovery in business which has been going forward now for practically a year. Retail and wholesale trade were reported by the Federal Reserve Banks of most of the districts as comparatively dull. The great basic steel industry reported somewhat reduced output and the same was true of lumber, sugar and tin. The cotton textile industry was less active, as judged by the amount of raw cotton which was consumed by the mills in July. From the point of view of the farmer a drop of 17 cents in the price of wheat at Chicago between the middle of July and the third week of August was a discouraging factor.

Effect of the Strikes

To the casual observer the coal and railroad shop workers' strikes would seem to have been serious enough to account fully for any slowing down in business. Early in July the country's coal reserves were reported to be at about the lowest point consistent with safety, while at the same time the strike of railroad shopmen cut down the supply of coal cars at the mines and reduced the output of the non-union mines, which were at the time the sole source for coal.

A careful analysis, however, of the business movement of the past month makes it appear that the direct effect of coal and railroad strikes has been much less than would have been anticipated. The truth appears to be that the effect of the coal and railroad strikes was in the main felt indirectly through their influence on the willingness of business men to make commitments for the future. It is probably reasonable to ascribe the month's reaction in business in considerable measure to that tendency in human affairs to move by leaps and bounds rather than by smooth, steady movements. Since the low point in commodity prices and industrial and business activity was reached in midsummer last year there has been a truly remarkable recovery, and it is entirely normal that this recovery should now and then be interrupted by periods of dullness. The coal strike was the particular event which ushered in this period of dullness.

Fundamentally Sound

The most important fact about the present situation appears to be that business conditions in this country are fundamentally sound. In many other countries the basis has not yet been established for sound business operations and this coun-

try cannot have its fullest prosperity until the other countries of the world are on a going basis. But in this country itself the economic conditions are sounder than most people would have dared prophesy a year ago. The financial condition of the government, the banks and business enterprises is sound. The crops are good, employment conditions are steadily becoming more normal, and there are constant indications of increasing industrial efficiency, along with spirited competition. The purchasing power of the people, their consumption of goods and their savings are all at a high level.

Evidences of the Trend

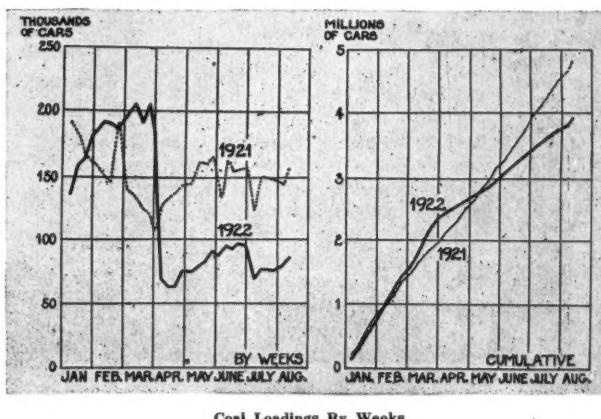
One striking evidence which the past month furnished of genuinely more active business was the announcement by the Department of Labor that their price index for the month of July was 3.3 per cent. higher than for June, the largest in-

fields of business are sketched in the following paragraphs:

Coal Production

On August 15 bituminous coal operators, representing an output of approximately 60,000,000 tons of coal annually, signed a wage agreement with the miners which made it possible to resume operation. Since that time a number of other groups of operators have reached agreements with their workers. The figures are not yet available to show fully what the effect of these agreements will be on coal production, but in the week ended August 26 production was 6,250,000 tons, compared with 4,579,000 the previous week. The coal shipment figures up to about the time of the signing of the agreement are shown in the accompanying diagrams taken from the Monthly Review of the Federal Reserve Bank of New York.

The diagram on the left "shows coal loadings by weeks from January to August of 1921 and 1922, while that to the right shows for each week total loadings since the first of the year. Loadings of coal were much heavier in the first three months of 1922 than in the same period of 1921, largely in anticipation of the coal strike, and the total movement up to April had exceeded loadings in the same period of 1921 by two or three weeks' operations. Up to the first week of August loadings were about five weeks behind 1921 figures."



crease since early in 1920. This index, made up from the prices of more than 400 commodities, is a good reflection of general price conditions and shows the increased demand for goods in recent months.

Another still more striking evidence of business activity was the announcement by the United States Steel Corporation on August 22 of a 20 per cent. increase in the wages of common labor which the corporation employs.

A third evidence of soundness in the situation may be found in the fact that throughout the period when the strike situation showed its darkest aspects the prices of stocks and bonds on the New York Stock Exchange rose gradually, but steadily to new high levels. This movement reflects in the first place the availability of funds for investment purposes, a sound condition, and reflects in the second place the belief of the financial community that business is on the up-grade.

The events of the month in different

The rate of output in the iron and steel industry decreased gradually from about 75 per cent. of capacity late in July to about 60 per cent. of capacity late in August.

The reduction in output was generally ascribed largely to difficulties of transportation and fuel supply. There was also some lag in the export demand for steel.

Lumber, Cement—Building

An interesting contrast is furnished by the latest reported production figures for lumber and cement. Lumber production is down, cement production up. The computations of the Federal Reserve Bank of New York show the figures as percentages of normal production:

	May	June	July
Lumber	96	82	76
Cement	119	120	128

An explanation of this contrast is probably found in the tabulations made by the F. W. Dodge Company of the contracts awarded for construction projects in the twenty-seven Northeastern states. These

reports show a seasonal decrease in recent months in the contracts let for residences and a sharp increase in the amounts let for public works, schools and industrial buildings. The three last named types of building use cement in large quantities. Extensive road-building programs which many states have undertaken this year are an important element in the public works contracts. The total amount of building under way continues in exceptionally large volume.

Cotton Consumption

In the cotton year from August 1, 1921, to July 31, 1922, there were consumed in cotton mills of the United States 5,912,000 bales of cotton. This amount is larger than consumption in the previous year, but is still considerably under normal. The figures for the past eight years are as follows:

Year Ending July 31	Running Bales - Excluding Linters
1915.....	5,597,362
1916.....	6,397,613
1917.....	6,788,505
1918.....	6,566,489
1919.....	5,765,936
1920.....	6,419,734
1921.....	4,892,672
1922.....	5,911,914

Crop Condition Improved

The Department of Agriculture's crop estimate for August 1 placed the average conditions of all crops 1 per cent. above the ten-year average. The July 1 estimate was 2 per cent. below that average.

It is estimated that yields of corn and wheat will be about the same as in 1921 and that the cotton crop will be 40 per cent. larger than last year's small crop. These estimates place the corn and cotton crops above the average for the past five years and the wheat crop about equal to that average.

Crop Movement

The movement of the new crop to market is well under way, and in good volume. Car shortage due to the rail strike has been reported as a factor retarding the movement, but the latest figures indicate that the freight movement of grain is now in only slightly smaller volume than in the corresponding weeks of 1921, and the movement in 1921 was unusually rapid.

The Money Supply

There are plenty of funds available to move the crop this year at an exceptionally low rate of interest. The open market selling rate for the highest grade of commercial paper is 4 per cent. and the average rate banks are charging their customers is running in many cases under 5 per cent. So far this autumn there has been no general tendency towards higher rates, although bankers were always accustomed to expect tight money and a rise in rates beginning in July and August.

This year liquidation of loans has been so heavy and the industrial and commercial demand for funds so light that bankers will probably be able to supply needed funds for the crops without any difficulty. The Federal Reserve Bank of

New York, in its latest Review, calls attention to a difference in the money situation due to the establishment of the Federal Reserve Banks.

"In almost every year since the Federal Reserve System began there was a more or less marked increase in circulation in the late summer and autumn when funds were needed for moving the crops. Before the establishment of the Federal Reserve System this demand for funds was often the cause of strained credit or currency conditions and an increase in interest rates in this season of the year. Since the establishment of the Reserve System, however, the power of the Reserve Banks to supply additional funds when required has eliminated the autumn currency scarcity and greatly lessened the autumn credit strain."

Prices

After rising to high points about the middle of July prices of a number of commodities lost much of their recent gains. Wheat led the decline, but was followed by flour, hogs, rubber and a number of other basic commodities. On the other side of the picture steel prices have moved upward rapidly, along with coal prices, and cotton quotations are also higher recently in conjunction with unofficial reports of a somewhat lower condition of the crop. The lower wheat price is partly accounted for by heavy receipts at primary markets. There are also reports of a less active European demand. There is nothing in the price outlook to indicate that the price decline in the basic commodities is more than a temporary movement.

Wage Increases

An increase of the wages of unskilled workers in the United States Steel Corporation from 30 to 36 cents an hour brings those wages back to about the rate in force early in 1918. The wages of these workers for a ten-hour day have been as follows at selected periods since 1915:

Date	Wages 10-Hour Day	Per Cent. of 1915 Wage
1915	\$2.00	100
1917 (May)	3.00	150
1918 (April)	3.80	190
1920 (February)	5.06	253
1921 (May)	4.05	203
1921 (July)	3.70	185
1921 (August)	3.00	150
1922 (September) ...	3.60	180

Other steel companies are following the lead of the corporation in making advances and a number of coal operators in non-union mines have also announced increases.

These different increases reflect a shortage of unskilled labor which has been noted by employment agencies for some months. This shortage has not extended in any considerable measure to other types of worker and a downward readjustment is still going on in some occupations, particularly among clerical workers.

Drop in German Mark

On August 25 the exchange value of the German mark fell to one-twentieth of a cent, or 2,000 marks for a dollar, after a continuous rapid decline for the

past few months. At this rate the mark is worth one-half as much as ten days before, one-third as much as at the end of July and one-fifth as much as at the end of June.

This decline is the logical result of the continued printing of paper money in large quantities in Germany. Prices in Germany have risen almost as fast as the value of the mark has declined abroad.

These changes make the settlement of the reparations problem still more difficult. They impede trading between Germany and other countries. They dislocate still further the internal economy of Germany. They make it more difficult for the government to balance its budget and make even more serious the plight of the middle classes whose income in the form of salaries and return from investments does not increase with rising prices.

French francs and Italian lire worked somewhat lower during the month, a decline generally ascribed to the influence of the German situation. It is worth noting, however, that some decline in the value of European currencies is quite usual for this time of year when those countries begin the purchase of dollars to buy grain in this country. In the face of both the financial chaos in Germany and the seasonal downward tendency sterling exchange has remained firm.

Exports and Imports

Exports from the United States in July were \$30,000,000 less than in June and were the smallest since last February. Imports were also reduced about \$10,000,000. The figures since January this year are as follows:

	Exports	Imports	Excess of Exports
January	\$278,848,469	\$217,185,396	\$61,663,073
February	250,619,841	215,743,282	34,876,559
March	330,326,608	256,177,796	74,148,812
April	318,461,898	217,023,142	101,438,756
May	307,687,846	252,817,254	54,871,428
June	334,683,729	260,460,898	74,222,831
July	305,000,000	251,000,000	54,000,000

Paper Inflation

One fact stands out clearly in Germany, as in all the other countries that have indulged in paper money inflation and that is that it is impossible to relieve monetary stringency by printing paper money. This is a matter of great importance, because in every period of monetary stringency there arises a demand that the government or the banks shall issue more money for the purpose of giving relief.

The fatal defect in government issues of paper money, says the *National City Bank Review*, is that the more there is issued the greater is the apparent necessity for more. Every argument in support of the first issue is used with increasing force for succeeding issues. The currency depreciates in purchasing power as the issues are increased, but spasmodically, remaining comparatively steady for a time and then slumping rapidly. When the values decline, unless more is issued, money becomes as tight as it ever was, although it may be bordering on worthlessness.



OPINIONS OF THE GENERAL COUNSEL

By THOMAS B. PATON
General Counsel

Negotiability of Note "According to Terms of Lease Contract"

A bank in Oklahoma acquired from the payee for value before maturity certain promissory notes which have written thereon, "according to terms of lease contract." The lease contract was attached to the notes. The bank's right to enforce against the makers free from their defense against the payee depends on whether the quoted words affect negotiability. Opinion: There is a conflict of judicial decision upon the question. In Massachusetts the equivalent words "as per contract" have been held to refer merely to the consideration and not make the promise conditional; in Minnesota, they will not destroy negotiability in the event the contract does not make payment conditional, but they put the purchaser on inquiry, and if the contract affords the maker a defense, the purchaser is subject thereto; while in Louisiana, by a divided court, such a promise is held conditional and negotiability destroyed. The point not decided in Oklahoma.

From Oklahoma—One of our customers, L by name, owed us several thousand dollars. To secure this debt among other things, he assigned to us, by indorsement of the notes, two notes taken by him for rent on land under his control.

The land is owned by a banker in Kansas, who leased to L for a term of years for cash rent under a lease agreement which provided that the land could not be sub-leased without the written consent of the landlord. In spite of this, however, L did sub-lease two of the quarters of land with the knowledge of the landlord but without his written consent, we understand. Under this arrangement, two or three years passed and L became behind in the payment of his rent, although collecting each year from those to whom he had sub-leased.

In the meantime, L rented two of the quarter sections of land to two farmers for cash, taking part payment of the rent in cash at the time of the signing of the lease and taking a note for the unpaid balance due November 1, 1922. These

notes were drawn on the note form of a local bank which carried the usual provisions and written on the face of the notes are these words at the bottom of the note, "according to terms of lease contract," referring to the sub-lease contract between L and present tillers of the land. The lease in question covering the year from and after January 1, 1922.

These notes L indorsed to us for security and attached to each note is the lease contract referred to. Now L has skipped the country and the owner of the land steps in and demands his rent from the men leasing from L, making his demand under a clause providing for chattel mortgage running against all crops grown on the land to secure the rent, although this lease was never filed of record till just a few days ago, and the men renting of L knew nothing of such a provision.

Now the question arises as to whether or not our notes, those given for rent to L and indorsed by him to us, are negotiable. Please advise us as to the status of our case. We contend that they are, especially as the contract is attached to the note, and shall demand payment.

If the notes taken by your bank are negotiable, the bank having acquired same by indorsement of the payee before maturity as security for an indebtedness of the indorser, is a holder in due course to the extent of the indorser's indebtedness to it and can enforce same against the makers free from their defense against the payee, assuming that the makers are liable to the owner of the land for rent unpaid by their immediate lessor.

The notes contain the provision "according to the terms of lease contract," such contract being attached to the notes. Do these words affect negotiability?

The nearest case in point is Continental Bank and Trust Co. v. Times Pub. Co., 76 So. (La.) 612 decided under the Negotiable Instruments Act of Louisiana, by the Supreme Court of that state. In that case, a publishing company leased a building for ten years and gave one hundred and twenty monthly instalment rent notes promising to pay the lessor a specified amount as "rent for the month

of August, 1915" of a described building "as per contract dated March 24, 1913, value received," each note being given for a different month's rent. The plaintiff bank acquired the notes in good faith, before maturity for value and brought suit on two notes against the maker. The defense was that the consideration had failed as the leased building had been destroyed by fire before the rent for which the notes were given accrued and that the notes were not negotiable but subject to such defense in the hands of the bank, because the recital on their face that they were given for rent "as per contract" had the effect of reading the contract of lease into them and thereby conveying full notice that their consideration might fail, as it was an executory contract which might fail of performance.

The lower courts in Louisiana held that the notes were negotiable and their decision was, at first, sustained by the Supreme Court of Louisiana; then, upon rehearing, the court reversed itself and held the notes non-negotiable, the justice who wrote the original opinion dissenting. The majority opinion held as follows: That the provisions of the Louisiana statute giving a lessee a right to deduct from the rent the cost of necessary repairs and exempting the lessee from liability for rent in event of destruction of property, entered into and became a part of every contract of lease in the state, unless the parties expressly stipulated to the contrary; that while the statement in the note that it was given in payment of future rent did not destroy negotiability but was a mere recital of consideration, the further words "as per contract" meant that the contract to pay was to be executed in accordance with the terms and conditions of the contract of lease; that such a promise

was not unconditional and was a qualification sufficient to destroy negotiability; that one of the requirements of the Negotiable Instruments Act is that the instrument must be "complete and regular upon its face," and these notes were not regular upon their face because of the stated qualification which deprived them of their negotiability; this infirmity being upon the face of the notes, the bank acquired them with notice thereof and held them subject to defenses which might have been set up against the payee. The view of a minority of the court was that the words "as per contract" were merely a statement of the transaction which gave rise to the instrument and did not destroy negotiability; they were not equivalent to the expression "subject to conditions of contract"; and the mere fact that a note was given for an executory consideration which might fail did not make the notes negotiable nor conditional where they were acquired upon such failure or without knowledge thereof.

Under the majority decision in the Louisiana case it is to be gathered that the qualifying words "as per contract" would make the promise to pay conditional even though the contract referred to should contain nothing derogating from absolute payability; that the mere statement on the face of a note promising to pay the amount in accordance with a certain contract makes it irregular on its face and destroys its negotiable character, whether or not the contract itself contains any condition which would make the amount not payable.

The Supreme Court of Massachusetts has decided a somewhat similar question differently. *National Bank of Newbury v. Wentworth*, 105 N. E. (Mass.) 626. The maker of certain promissory notes wrote upon their face "value received as per contract." The notes were indorsed by the payee to a bank for value before maturity. The maker contended that by these words the original parties intended to incorporate the contract and negotiability was lacking because a sum certain was not payable at a time fixed in the future. The court held the notes negotiable. It said that if the words had been "subject

to the contract" the notes would not have been the maker's unconditional promise to pay a definite sum. "But while the defendant doubtless intended to guard against the payment of money for which in the future he did not receive an equivalent, and the payee has gone into bankruptcy, the language used does not affect the payment of the amounts shown by the notes. By their position, the words well might lead the plaintiff who is not charged with actual notice to understand that they were not to be disconnected and applied to an independent outstanding agreement by which the promise was to be modified or restricted, but they referred solely to the consideration for which the notes were given."

In Minnesota, the view seems to be taken that the words "as per contract" do not affect negotiability in its sense as including the passing of title free from equities. Those words, however, cannot be overlooked by the purchaser, and if the contract contains matter of defense, he is subject thereto; but when the contract accompanies the note and passes to the purchaser, the contract not giving the maker a defense, he is not charged by such words with knowledge of another agreement giving a defense. *Snelling State Bank v. Clasen*, 157 N. W. (Minn.) 643. In that case, notes were given as part of the consideration of a written contract for sale of land. On the same day, there was another agreement in writing between maker and payee that if upon investigation the maker was not satisfied with the land, the payee would return the notes and pay back the cash received. The words "as per contract" were written on the back of the notes at the time of their execution. The notes were transferred to a bank before maturity. The sales contract which contained nothing giving the maker a defense accompanied the notes but the other agreement did not. The bank sued the maker and recovered.

In the light of the above, it will require a decision of the Supreme Court of Oklahoma to settle for your state the question whether the words in the notes acquired by your bank "according to terms of lease contract" will affect their negotiability. According to the majority

of the Supreme Court of Louisiana, such form of words would make the promise to pay conditional and the notes non-negotiable; in Minnesota, such would not be the effect unless the contract itself contained something making the payment conditional; while in Massachusetts, the court takes a similar view to that of the minority in Louisiana, that those words are different from "subject to contract" and do not destroy negotiability, as they only refer to the consideration on which the notes are based.

Check of Clearing Bank in Payment of Debtor Balance

Where two banks in the same town exchange checks and the debtor gives the creditor its check on its correspondent for the balance due, which check is dishonored because of failure of the drawer bank, the payee bank has no preference in the assets of the failed bank but must share as a general creditor because the payor bank is debtor for, and not trustee of, the fund represented by such check—question raised but not discussed whether it would be practicable to segregate such debit balance as a trust fund, and if so, whether the fund so created would entitle the creditor bank to preferential payment.

From Kansas—In case one Kansas country bank issues its draft, drawn on a Kansas City, Mo., bank, payable to the order of another bank located in the same city with the drawer bank, in settlement of the difference due the payee bank from the drawer bank in the clearance of a day's checks and cash items, the draft is duly presented to the drawee bank for payment, but on account of the failure of the drawer bank after the issuance of the draft, the drawee bank refuses to pay and the draft is duly protested and returned to the payee bank, will the payee bank's claim against the drawer bank for the amount of said draft be legally entitled to preference over the claims of the general creditors of the drawer bank, and to payment before the general creditors are paid, or will the payee bank be legally entitled to only its pro rata share of the amount realized from the assets of the payor bank in case enough is not realized from its assets to pay all claims in full?

The custom and practice has been, as you know, for country banks in the same city to settle their clearance differences each day by draft unless the difference is very small, when sometimes it may be settled in cash.

The question involved is this: Where two banks in the same town exchange checks on each other and

the debtor bank, instead of paying cash in settlement of its debit balance, delivers its draft to the creditor bank drawn upon its city correspondent, which draft is refused payment because of the failure of the debtor bank, is the creditor bank entitled to preferential payment from the assets of the failed bank, assuming such assets are insufficient for full payment, or must it share as a general creditor?

The specific question has not been decided but I fail to see any ground upon which the payee bank can claim a preference. This debit balance was a debt owing by one bank to the other, in the settlement of which the debtor bank gave its check. The debtor bank having failed before payment, the right of the payee bank would be that of a common creditor and not as beneficiary of a trust fund in the absence of some valid agreement under which debit balances arising from the exchange of checks would be set aside and held by the payor bank as a trust fund. Without discussing whether such an agreement would be practicable, and whether, if practicable, it would be valid to create a preference in behalf of the creditor bank, in the present case there is nothing to show that the debit balance represented by the debtor's check was anything else than a debt owing by the drawer to the payee bank. That a bank which fails owing a debit balance at the clearing house is debtor for such balance is clearly shown in *Yardley v. Philler*, 167 U. S. 344, where a bank was closed after the morning's clearings in which its debit balance was ascertained and before such debit balance was paid, the case involving questions as to the rights of the respective parties and the clearing house.

Where one bank sends items to another for collection and the bank to which the items are forwarded makes the collection but fails before its remittance draft is honored, there is a conflict of authority upon the question of preference, a majority of courts holding that the failed bank is a trustee of the collection proceeds while a minority of courts hold it is debtor. But the decisions are quite uniform to the effect that where the item forwarded to the insolvent bank is a check upon itself for which it re-

mits its own check, which is dishonored because of its failure, its relation is not that of trustee but of debtor. There is no trust fund because the bank has received nothing from an outside source by which its assets have been swelled but it has simply made a substitution of one creditor for another. Its debt to the drawer of the check has been changed to an indebtedness to the payee. See Digest of Legal Opinions, 1921, paragraphs 1172, *et seq.*, for full citation of authorities. It would seem to follow that a check given by one bank to another in the same town in payment of checks drawn upon itself, in excess of checks held by it drawn on the presenting bank, would be governed by the same rule, in the absence of some valid agreement by which such funds are, at the time of the exchange, segregated and taken out of its general assets and held as a trust fund and that the payee bank would have no preference over other creditors.

Note Payable to and at Bank A or Bank B

A note made payable to the R State Bank at the R State Bank, on printed form, has inserted in writing "or the M National Bank" after the name of the R State Bank in two places, thus making it payable to and at the R State Bank or the M National Bank. On the back of the note is a printed assignment to the R State Bank signed by Sam Roe, who delivers the note to the R State Bank for collection. Opinion: Assuming the note was thus drawn by or with the consent of the maker, it is valid and probably negotiable, although made payable to and at either of two banks in the same place which are specified as payees.

From Pennsylvania—I am enclosing a copy of a note presented at this (the R State) bank for collection. In the first place, the note was made out wrong. In this case the note should have been made out to Sam Roe as payee instead of to the banks, but somehow he got one of our notes and used it, as this copy shows, indorsing it on the back, or rather, assigning it to us. The question that

puzzles me most is, "Can a note be drawn payable to either of two banks at either of two places?" I feel pretty certain that M National Bank was written on the face of the note some time after it was signed, whether with or without the consent of the maker, I do not know.

This is a form of note signed by John Doe made payable to order of R State Bank at the R State Bank, the printed form of the bank being used, and after the name of the printed payee there is inserted in writing, "Or the M National Bank," those words also being inserted after the printed name of the R State Bank to which the note is made payable. The R State Bank and the M National Bank are located in the same place and the result is that the note is made payable to the R State Bank or the M National Bank at the R State Bank or the M National Bank. On the back of the note is a printed assignment of the note to the R State Bank, signed by Sam Roe.

The R State Bank, as I understand, has received this note from Sam Roe for collection and desires to know the legal effect of such an instrument and its duty in the premises.

Assuming for the moment that the note was thus made out by or with the consent of the maker, I think it is valid and probably negotiable, although made payable to and at either of two banks in the same place which are specified as payees.

The Negotiable Instruments Act expressly provides that an instrument payable to order may be drawn payable to the order of "one or some of several payees." It has been held that where a note is made payable "to the order of A or B" the indorsement of either is sufficient to pass title. *Voris v. Schoonover*, 138 Pac. (Kan.) 607. A note payable to the order of "R. M. Life Ins. Co. or H. B." is payable to either and negotiable by indorsement of either. *Union Bank v. Spies*, 130 N. W. (Iowa) 928. An indorsement "Pay to the order of A or B" does not render a note non-negotiable and indorsement by either A or B will pass title. *Page v. Ford*, 131 Pac. (Ore.) 1013.

The Negotiable Instruments Act further provides that where the instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the ac-

count of the principal debtor thereon. There is nothing in the act which specifically refers to a note made payable at either of two banks in the alternative. But decisions under the law merchant indicate that this is permissible. In *Hazard v. Spencer*, 17 R. I. 561, a note dated at "Providence" was made payable "at bank," but before maturity it was placed in a bank at Providence for collection and the maker duly notified. It was held that the note was payable at Providence and at either bank in Providence which the maker saw fit to select. In Boston at one time it was customary to make notes payable at "any bank in Boston." It was held that such a note was not properly presented to a trust company (*Nash v. Brown*, 165 Mass. 384), nor was the office of a private banker within the terms of such a note. *Way v. Butterworth*, 108 Mass. 509. But the validity or negotiability of such an instrument was not questioned.

The Negotiable Instruments Act does, however, provide that "a bill may be addressed to two or more drawees jointly, whether they are partners or not; but not to two or more drawees in the alternative or in succession"; and if the making of a note payable at a bank should be held equivalent to the drawing of a bill upon a bank, it is possible that the making of a note payable at either of two banks would be held to destroy its negotiability. No question of this kind has ever come before the courts, and it is doubtful if the rule of the law merchant, which recognizes the validity and negotiability of notes payable at more than one bank in the alternative, would be held to be abrogated by this provision of the Negotiable Instruments Act, which relates specifically to bills of exchange.

It would seem to follow, therefore, that a note made by the maker payable to the order of the R State Bank or the M National Bank at either of said banks would be valid and probably negotiable; and where presented by a holder who indorsed an assignment of said note to the R State Bank for collection, the duty of that bank, whether or not it had sufficient funds to the credit of the maker, would be to present the note to the maker and

make inquiry of him as to the right of the holder to payment.

It has been held in more than one case where a third person presents an instrument made payable to the bank on which it is drawn for collection that the form of the instrument devolves upon the bank a duty of inquiry as to the holder's right to receive payment. So in the present case, inquiry should be made of the maker, and this would disclose whether Sam Roe the holder, was entitled to receive payment out of the funds to the maker's account, if any, or whether there had been any wrongful alteration of the instrument after it left the hands of the maker. If the name of the alternative payee and place of payment was inserted after the note had left the hands of the maker and without his knowledge or consent, it would constitute a material alteration which would avoid the instrument in the hands of the holder.

Credit of Outstanding Certified Check to Maker

An unindorsed check of A to B was certified for a holder other than B, wrongfully in possession, and the maker desires refund of the amount that he may pay B. Opinion: The bank, before crediting the amount to A, should require bond of indemnity to safeguard against

contingency that check may hereafter be indorsed by B and presented for payment by innocent purchaser.

From New Jersey—On July 12 we certified check of \$146.02 of A's, payable to order of B, for party whom we believed to be B, but who was not. Certification stamp used was as follows:

"Certified without liability for genuineness except as to maker's signature."

What course should we pursue? The maker would like to give the party to whose order the check was drawn the amount thereof, but naturally does not want the double charge against his account. Can we safely refund them the amount by taking their bond?

In this case the bank has certified check of A payable to order of B for a holder other than B who in some unexplained manner obtained possession of the instrument. I assume the check when certified did not bear indorsement of B. In this event there would be no obligation of the bank to pay unless the check should afterwards be negotiated to an innocent purchaser for value under valid indorsement of B hereafter made. But the bank, to protect itself against such a contingency, should require bond of indemnity from A before refunding him the amount. Then A could pay the amount to B, if he chose to take the risk that the check would not hereafter come to the hands of B and be negotiated by him.

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Two Par Clearance Decisions

IN the Atlanta par clearance case Judge Beverly D. Evans, in his opinion filed on March 11, held that Federal Reserve Banks may collect all checks payable on presentation, including checks drawn on non-member banks, but cannot pay any exchange charges, and that a Federal Reserve Bank may employ any proper instrumentality to collect checks drawn on banks which refuse to remit without the deduction of exchange charges.

In a decision dated June 26, 1922, in the case of the Brookings (Oregon), State Bank *vs.* the Federal Reserve Bank of

San Francisco, Justice Wolverton in the U. S. District Court for District of Oregon, held that the Federal Reserve could not send letters "to the clients advising them that they must look to the Brookings bank for their protection through failure to protest such paper, as demand was made upon it on condition that it remit at par." But the court denied the application of the Brookings bank for an injunction restraining the Federal Reserve Bank from maintaining an agent at Brookings. Both findings are given in parallel columns for convenient comparison:

The Oregon Case

The Brookings State Bank is engaged in business at Brookings, a small town without express facilities. The bank has correspondents at San Francisco, Calif., and Portland, Ore. In making remittances, it has heretofore exacted an exchange charge of 1/10 of 1 per cent.

"The defendant, Federal Reserve Bank of San Francisco," says the opinion, "exercising its function as a collecting and clearing house agency, and desiring to make collections from the Brookings bank, requested payment at par, as it is prohibited by the Federal Reserve Act from paying exchange. This was refused by the Brookings bank. With the view, therefore, of making such collections without the necessity of paying exchange, the reserve bank maintained an agent at Brookings for making collections over the counter of such paper as might be transmitted to him through cash letters from the reserve bank and its branch bank at Portland. The agent was so maintained for the space of about a year, and he collected over the counter during the time something over \$108,000, at an expense to the reserve bank of \$3,542, which includes the expense of transmitting the currency to point of destination. The method caused the Brookings bank much annoyance, and required it to maintain a materially larger reserve than ordinarily would have been necessary in the usual conduct of its business.

"The agent was finally withdrawn, and the Brookings bank was notified that thereafter checks would be forwarded for collection by mail direct to the bank, with request that they be paid at par, and the proceeds remitted by exchange on Portland or San Francisco. Checks were so forwarded, indorsed 'Pay to Brookings State Bank for collection only and remittance in full without deduction for exchange or collection charges,' but were returned without payment, on the ground that the bank was not called upon to act as agent for the reserve bank to make such collections under the terms imposed. The reserve bank, upon the return of the checks, returned them to its correspondents, advising them in effect that the Brookings bank refused to pay and had not protested the paper, and that they must look to the Brookings bank for their protection.

"A preliminary injunction issued after hearing, restraining the reserve bank from sending letters to its clients advising them that they must look to the Brookings bank for their protection through failure to protest such paper, as demand for payment was made upon it on condition that it remit at par."

After quoting the law, the opinion continues:

"The questions presented here are:

"First, whether the reserve bank has the authority to make collections from non-member banks; and, second, whether it can coerce such banks to remit at par.

"As to the first, it is already apparent that the reserve bank may at its option receive paper against such banks for collection. Having that power, it may collect it, if it can find a way of doing so without the payment of exchange, which it is prohibited from paying by the act.

"It is a banking custom, as well as a legal right which a holder of a check has at all times, to present paper at the counter of the payee bank and demand payment, and, if denied, the paper is subject to dishonor. Paper so presented and paid over the counter is not subject to exchange. It is also a custom among banks, in making collections from other banks where there is not more than one bank in a place, to send checks to the drawee bank with request for remittance,

The Atlanta Case

BEVERLY D. EVANS, district judge:

This case was heard by me on its merits and, after argument and due consideration, I find as follows:

(1) Under sections 13 and 16 of the Federal Reserve Act the Federal Reserve Banks are empowered to accept any and all checks payable on presentation, when deposited with them for collection.

(2) Checks thus received must be collected at par. The Federal Reserve Banks are not permitted to accept in payment of checks deposited with them for collection an amount less than the full face value of the checks.

(3) In the discharge of its duties with respect to the collection of checks deposited with them, and with respect to performing the functions of a clearing house, the several Federal Reserve Banks are empowered to adopt any reasonable measure designed to accomplish these purposes. To that end a Federal Reserve Bank may send checks to the drawee bank directly, for remittance through the mails, of collections without cost of exchange. If the drawee bank refuses to remit without deduction of the cost of exchange, it is in the power of the several Federal Reserve Banks to employ any proper instrumentality or agency to collect the checks from the drawee bank, and it may legitimately pay the necessary cost of this service.

(4) The process of the daily collection of checks, in the exercise of the clearing-house functions, is not rendered unlawful because of the fact that of the checks handled two or more of them may be drawn on the same bank.

(5) It is a legitimate feature of the clearing-house function of a Federal Reserve Bank to publish a par clearance list, that is, a list of banks on which checks are drawn that will be collected at par by the Federal Reserve Banks. But inasmuch as a conclusion may be drawn from the appearance of a bank's name on the par list that it agrees to remit at par, or has agreed to enter the par clearance system, I do not think such list should include the name of any non-member bank, unless such non-member bank consents. I see no objection to including in the par clearance list the names of towns or cities, with a representation that the Federal Reserve Bank will undertake to collect at par checks drawn on any bank (member or non-member) in such town or city.

(6) In the inauguration of its par clearance system, I find that the Federal Reserve Bank of the Atlanta district was not inspired by any ulterior purpose to coerce or injure any non-member bank which refused to remit at par. Specifically I find the charge that the Federal Reserve Bank at Atlanta would accumulate checks upon country or non-member banks until they reach a large amount, and then cause them to be presented for payment over the counter, so as to compel the plaintiffs to maintain so much cash in their vaults as to drive them out of business, as an alternative to agreeing to remit at par, is not sustained by the evidence.

(7) I find the evidence insufficient to sustain any charge in the bill that the Federal Reserve Bank was acting illegally, or exercising any right it had so as to oppress or injure the plaintiff banks. With regard to the publication of the names of non-member banks on the Federal Reserve Bank's par list, while I do not think the evidence justifies a finding that such publication was done to injure or oppress plaintiff banks, nevertheless I do not think the names of plaintiff banks, or any of them, should be included in the list without their consent.

The general result of my findings is that the plaintiffs are

Oregon Decision

and the request is honored unless there is some special reason why the bank should not pay. These banking rules and regulations are conceded.

"As to the second question, the non-member banks, being without the pale of the Federal Reserve Act, have the right, if they see fit, to charge reasonable exchange on remittances. This is a right the bank may relinquish at its option, but it ought not to be coerced into doing so, or agreeing to do so, and any strategy which has for its purpose the coercion of such non-member bank to yield its legal right in this respect is unlawful, and will not be approved by the courts. The Supreme Court, speaking through Mr. Justice Holmes, has put the stamp of its disapproval upon the act of a party massing a number of checks against a bank and presenting them in bulk at the counter for payment, although the holder of paper has the legal right to demand payment on the ground that it evidences an ulterior purpose of compelling the bank to yield against its will to a demand for payment at par. American Bank & Trust Company, et al, vs. Federal Reserve Bank, 41 Sup. Court Rep. 499. In the opinion the distinguished jurist has this to say:

"If this were a case of competition in private business it would be hard to admit the justification of self-interest considering the now current opinion as to public policy expressed in statutes and decisions. But this is not a private business. The policy of the Federal Reserve Banks is governed by the policy of the United States with regard to them and to these relatively feeble competitors. We do not need aid from the debates upon the statute under which the reserve banks exist to assume that the United States did not intend by that statute to sanction this sort of warfare upon legitimate creations of the States."

The testimony here impels me to the conclusion that the Federal Reserve Bank has gone to the length of endeavoring to coerce the Brookings bank to accede to its demand that the latter bank agree to remit at par. Its purpose is obvious, from the fact that it maintained an agent at Brookings for practically a year, at an expense to it of \$3,542 for collecting over the counter checks and drafts drawn upon the Brookings bank, knowing at the time that the procedure was embarrassing to the bank, and required it to maintain a much larger reserve in its coffers to take care of its current business, thus depriving the bank of a portion of its ordinary earnings. Such a purpose is further manifest from correspondence found in the record. One letter to which I refer is Defendant's Exhibit 'S,' from the manager of the Portland branch to an officer of the reserve bank at San Francisco. It relates to an incident of the acceptance by the agent at Brookings of the bank's draft at par in payment of checks presented over the counter, and advises that, 'if we continue to accept exchange we are, of course, extracting the sting from our direct collections.' Another is Plaintiff's Exhibit 20, a letter from the manager at Portland to the Scio State Bank, advising that, 'shortly after all the banks in the country have had time to consider becoming par voluntarily, it will be necessary to use more forcible methods with the few banks that refuse to pay their checks at par.' Corroboration is found in other correspondence and evidence

Atlanta Decision

entitled to the writ of injunction against the inclusion of their names on the par list without their consent, but are not entitled to an injunction for any other matter complained against the respondents.

Let an appropriate decree be submitted giving effect to the foregoing findings. This March 11, 1922.

Oregon Decision—Concluded

adduced at the trial, but the record is too voluminous to attempt to particularize.

"But with all this, it appears that the Brookings State Bank was advised by letter of September 20, 1921, that the agent at Brookings would be withdrawn and has not since been maintained there, and as this suit was instituted on September 29, 1921, there would seem to be no necessity for enjoining the defendant from maintaining an agent at Brookings for making collections over the counter of the bank, whether absolutely or in modified terms. Nor would it have been necessary to go into these matters to the extent we have but for the earnest insistence that it was the defendant's absolute duty, imposed upon it by the act, and as to which it had no volition, to make such collections. The Federal Reserve Bank, however, has recognized the optional character of its function in this regard by notifying its correspondents that it will accept no more paper on the Brookings State Bank for collection.

"As it relates to the method adopted by the defendant for making collections through the mail by sending checks and drafts upon the Brookings bank direct to the bank, indorsed 'Pay to Brookings State Bank, for collection only and remittance in full without deduction for exchange or collection charges,' it is plain that the bank was not called upon so to remit, and its return of the checks without payment as demanded was not tantamount to dishonor. I repeat what was said in deciding the matter on preliminary hearings:

"While, under the prevailing custom, the defendant bank could rightfully remit checks and drafts drawn against the plaintiff bank direct to the latter for collection, and could thereby exact payment of them, it could not impose conditions upon which such payment should be made, much less could it make the plaintiff bank its agent for causing protest to be made for non-payment. The idea of requiring that a maker or drawee shall have protested his own paper is so inconsistent with the functions of an agent that it can hardly receive the sanction of law. No man can serve two masters, especially himself and another."

The defendant was therefore not authorized to advise its clients that they must look to the plaintiff bank for protection through failure to protest.

"The preliminary injunction heretofore decreed will be made permanent, but no injunction will issue respecting the maintenance of an agent at Brookings, as such agent had been withdrawn practically at the time of the institution of the suit, and there appears to be no intention upon the part of defendant to replace him."

Bank's Power to Deal in Foreign Currency

MAY a state bank buy and sell foreign exchange? Is it liable for damages for breach of contract if it fails to deliver foreign currency in accordance with its agreement? In the particular case defendant bank contended that such a contract to deliver Russian rubles was unauthorized and hence that it could not be held in damages. The two relevant statutory provisions quoted by the court—the powers of state banks must generally be ascertained by reference to the precise wording of the statutory provisions—were as follows:

"A bank shall carry on * * * the usual business of banking, * * * may receive deposits, and may loan and negotiate its moneys and effects by discounting on banking principles upon such security as the stockholders consider expedient."

"No bank shall use any of its moneys, goods, chattels or effects in trade or commerce."

The court said: "The single question presented is whether it could have been ruled as matter of law that the contract in suit was in violation of either" provision.

"There was ample evidence from those familiar with banking tending to show that banks in this commonwealth, and particularly in Boston, usually and generally bought and sold and dealt in Russian rubles and other foreign currency, that Russian rubles were bank notes issued by the Imperial Bank of Russia, and were the currency of Russia at the time in question (January 31, 1918). The selling of foreign currency cannot be said as a matter of law to be beyond the lawful power of a bank."

Whether such selling was a part of "the usual business of banking" was a question of fact properly left to the jury, which found that it was.

"Even if dealing in Russian rubles were 'trade or commerce' within the prohibition" of the statute quoted, "there is nothing in this record to show that the defendant had not acquired ownership of the rubles which were the subject of this contract in such a way as to warrant it in making lawful contract to sell them."

Federal Trust Co. v. State Bank, 135 N. E. (Mass.) 879.



RECENT DECISIONS



THOMAS B. PATON, JR.
Assistant General Counsel

PROHIBITION ACT—NO RECOVERY CAN BE HAD ON CHECK FOR LIQUOR SOLD WITHOUT PERMIT—NEW YORK

One Adler brought suit on a check in the sum of \$5,200, representing part of the purchase price of thirty barrels of whiskey, costing \$25,200. Adler produced no evidence to show that the sale was legal under any of the exceptions contained in the National Prohibition Act, which provides that no person shall manufacture or sell liquor except as authorized by the Act to the end and purpose that the use of liquor as an intoxicating beverage may be prevented.

The court held that Adler could not recover on the check. The check sued upon being part of the consideration for an illegal sale under the National Prohibition Act, it is void in the hands of the plaintiff, who knew about the transaction and the purpose for which it was given.

The court said: "This is not the case where a sale of a commodity is legal except in certain instances; it is illegal except as authorized. * * * No cause of action can arise out of a transaction made illegal by statute." The presumption was that the sale of the whiskey was illegal and the burden of showing that it was legal rested on Adler, who, in this case was unable to prove that the liquor was sold by him with the necessary permit. *Adler v. Zimmerman*, 233 N. Y. 431.

WRONGFUL DISHONOR OF CHECKS—BANK REFUSING TO PAY CHECKS OF MERCANTILE DEPOSITOR LIABLE IN DAMAGES WITHOUT PROOF—UTAH

The plaintiff, Mary B. Browning, was opening up a millinery business at Pleasant Grove, Utah County, Utah. She deposited her account in the Bank of Vernal, and checks were drawn by her in payment of goods to be used in her business. She had been engaged in business at other places within the state of Utah for the past twenty years.

In the month of October, 1918, the bank refused to pay her checks, and the plaintiff seeks to recover damages for wrongful dishonor.

The jury returned a verdict for \$500 damages against the bank for having refused to pay checks of a mercantile depositor having sufficient funds to cover.

On a motion for a new trial the bank claimed that the damages awarded were excessive and were given under the influence of passion and prejudice of the jury.

The court held that the verdict for \$500 damages was not excessive, saying: "It is true that the testimony is indefinite as to any specific amount of damage sustained, and it must be admitted that the jury was quite liberal in the amount of damages awarded," but it was held that

failure on the part of the bank to pay such checks entitles the plaintiff to recover substantial damages without proof of actual damages under the common law rule that where a depositor is a merchant or trader substantial damages are presumed. *Browning v. Bank of Vernal*, 207 Pac. 462.

WHEN whiskey has been sold without a permit required by the Prohibition Act, the sale is illegal and the holder of a check given in payment for the whiskey who knew about the transaction cannot recover thereon.

A VERDICT of \$500 for damages without proof of actual damages awarded to a mercantile depositor for a bank's wrongful dishonor of checks was held to be not excessive, although no proof of actual damages was given.

ONE who voluntarily gives a note in renewal of another note with knowledge at the time of a partial failure of consideration for the original note, waives such defense and cannot defeat or reduce recovery on the original renewal note.

"**I**T is very desirable that the decisions of state courts should conform to those of the Supreme Court of the United States in questions of commercial law," says Judge Boyce of the Court of Civil Appeals of Texas.

WHERE a clothing company had for years borrowed money from a bank, and furnished financial statements showing accounts receivable without disclosing that they had been secretly assigned to a finance company, the jury could find that because of the concealment of such material facts damages for deceit could be recovered.

WHERE the value of the contents of a safe deposit box is unknown, a safe deposit company is not liable for failure to value the box on delivery to the carrier for shipment to the owner's order.

IN a Missouri case it was held that collateral held by a bank to secure a note was not available to secure payment of another unpaid note.

WHERE a vice-president of a bank issues a certificate of deposit to pay his personal obligation, such certificate is a liability of the bank and should be listed as such.

NOTES—VOLUNTARILY GIVING RENEWAL NOTE OPERATES AS A WAIVER OF DEFENSE OF WANT OF CONSIDERATION OF THE ORIGINAL—PENNSYLVANIA

The plaintiff, an auto truck company, sold an auto truck to the defendant and received in payment therefor, in addition to a judgment note, a promissory note due in three months. The truck performed badly, and the plaintiff knew this and promised to remedy the defects, but never did so. The defendant, although constantly complaining, used the machine, traveling many thousands of miles, and finally made an ineffective effort to return it. When the promissory note became due, defendant, with full knowledge of the defective condition of the truck, executed a renewal note to the bank then holding it. It was proved that the defendant was not induced to execute the renewal note by any promise made by the plaintiff; it was made with full knowledge of the facts, voluntarily, and without reserving any right to him arising from the truck's defective condition.

In an action upon the renewal note it was held that the defendant who gave a note in renewal of another note, with knowledge at the time of a partial failure of the consideration for the original note, or of false representations by the payee, waived such defense and could not set it up to defeat or to reduce a recovery on the renewal note. *Longacre v. Robinson*, 117 Atl. 408.

CORRESPONDENT BANK TO WHICH CHECK IS SENT FOR COLLECTION IS AGENT OF FORWARDING BANK—TEXAS

A cashier's check in the sum of \$3,150 was issued by the Thrift-Waggoner Bank of Thrift, Texas, payable to one Dell Behringer, and was deposited by him with the Tillman County Bank of Granfield, Okla., defendant, for collection. The Tillman Bank immediately sent the check to its correspondent, the City National Bank of Commerce of Wichita Falls, Texas. The Thrift-Waggoner Bank was located at Thrift, Texas, a small town off the railroad, about twenty miles from Wichita Falls. There was another bank, Johnson Bros. Bank, located at this place. The Wichita Falls Bank sent the check by mail as a cash item direct to the Thrift-Waggoner Bank. Nothing was said by Behringer, plaintiff, to the Tillman County Bank in regard to the manner or method of collecting this check, and no instructions were given in reference thereto. The Thrift-Waggoner Bank failed without ever having remitted in payment of the plaintiff's check. The plaintiff contends that by reason of the negligence of the Wichita Falls Bank in forwarding the check direct, the check was not paid, and action was brought against the bank of deposit. Judgment was given for plaintiff.

The court held that the correspondent bank to which commercial paper was sent for collection by a bank receiving the same from the owner became, in the absence of some agreement, express or to be implied from general usage which would become a part of the contract, the agent of the forwarding bank, and not of the owner of the paper, so that the forwarding bank was liable to the owner for the negligence of the correspondent.

The court, regarding this matter as an open question in Texas, followed the decision of the Supreme Court of the United States, *Exchange National Bank v. Third National Bank*, 112 U. S. 276, which holds that the correspondent bank is, under the circumstances stated, the agent of the forwarding bank, and that the forwarding bank is liable for the negligence of such correspondent bank.

The court said: "It is very desirable that the decisions of the state courts should conform to those of the Supreme Court of the United States in questions of commercial law, as otherwise we would have the Federal courts and the state courts in the same jurisdiction apply a different rule of law to the same state of facts, as the case might fall in the one court or the other." *Tillman County Bank of Granfield, Okla., v. Behringer*, 241 S. W. 1092.

FALSE FINANCIAL STATEMENT—CONCEALMENT OF MATERIAL FACTS ACTIONABLE—MASSACHUSETTS

The defendants, manufacturers of clothing, were depositors of the International Trust Company, plaintiff, and borrowed money from time to time for a number of years for use in their business. The plaintiff, before making loans, required of the defendants and they submitted each year a statement of their financial condition, which supplied the necessary information on which the plaintiff could determine whether the credit solicited could safely be given. The defendants, in March, 1916, having furnished such statement, received on their promissory notes for \$2,000. each, \$20,000, and in 1917, while the notes were still unpaid, became bankrupt, and offered a composition to their creditors.

The United States Bankruptcy Act provides that "where a bankrupt has obtained money or property on credit upon a materially false statement in writing made by him to any person * * * for the purpose of obtaining credit from such person," the discharge is not a bar to a subsequent suit by the party defrauded to recover damages for deceit. The plaintiff accordingly sued the manufacturers in tort to recover as damages the difference between the dividend received and the face of the notes.

The evidence showed that the financial statement, signed by the defendants purported on its face to be a copy of "our financial condition taken from the inventory of January 1, 1916," and among other assets showed accounts receivable amounting to \$58,425.66. There was plenary proof that when the statement was furnished and accepted the Commercial Investment Company held a valid assignment of the accounts receivable as collateral security for money advanced on merchandise sold and shipped by the

defendants to customers on which upon receiving duplicate invoices the investment company lent them 80 per cent. of the amount shown by the invoices for which it charged interest at the rate of 16 per cent. a year. The defendants did not at any time disclose to the plaintiff the existence of this agreement, and had the plaintiff known the truth, the money would not have been lent. The plaintiff contended that it was not only deceived, but acted in reliance on the false statement.

The court gave judgment for the defendant trust company, stating that "the concealment of material facts with intention to mislead and defraud stands no better than the affirmation of a material misrepresentation." *International Trust Co. v. Myers*, 135 N. E. 697.

DEPOSITS FOR SAFEKEEPING—DEGREE OF CARE REQUIRED IN PROTECTING CONTENTS OF SAFE DEPOSIT BOX—KENTUCKY

A trust company, in addition to its regular banking business, engaged in maintaining a vault with compartments, which it let out for hire to be used for the storage of valuables. One Underhill deposited with the company a wooden box of small dimensions, for which the company issued a receipt, charging \$3 a year for storage. The box remained in storage for three years, when Underhill wrote a letter to the company asking it to express the box to Mrs. D. A. Kemper, 919 East Jefferson Avenue, Detroit, Mich. Following this written direction, the trust company immediately forwarded the package by Adams Express, and after waiting a reasonable time for delivery it was discovered that the package never arrived. This action was brought by Underhill against the trust company to recover \$4,000, the alleged value of the package, upon the averment that the trust company failed to inform the express company of the nature and value of the contents of the box and fix a value thereon so as to render the express company liable for the actual value of the goods lost.

The plaintiff insists that it was the duty of the trust company to declare to the express company the value of the package, and to take a receipt showing same, and that it was guilty of negligence in failing to do so.

The facts show that the trust company was never given any idea of the nature or value of the contents of the box, which was securely nailed. It later appears that the box contained several diamonds, a number of gold bracelets and some ancient and highly valuable point laces, in addition to a large quantity of table silverware.

At the trial Underhill testified: "I didn't tell them (the trust company) in detail the value of the property, as I assumed that they knew I wouldn't be paying storage on a box unless it did contain valuable property."

The court held for the trust company, saying that "When Underhill wrote the trust company to ship the box by express to a named person at a certain address, the bailment was ended as soon as the company carried out the instructions by delivering the box to the express

company properly marked and addressed, as directed in the letter. The contract of bailment did not include nor contemplate that the trust company should perform any service for the plaintiff, except to keep and properly deliver, in good condition, the box at its vault on the plaintiff's order. The company was not bound to make shipment of the box even on the depositor's order, but having undertaken to do so as a mere accommodation, it was bound to exercise such care as reasonably prudent persons under like circumstances and conditions usually employ in the performance of such gratuitous services, and no more." In this case the company was held not liable for failure to value the box on delivery to the carrier as it had no reasonable means of ascertaining its value. *Underhill v. United States Trust Company*, 241 S. W. 812.

BANKING OFFICER ISSUING BANK'S OBLIGATION—NEBRASKA

Where a vice-president and managing officer of a bank issues a certificate of deposit on the bank upon a numbered form in regular use by such bank, payable to a person or corporation, or order, and delivers it to the payee, to pay a personal obligation of the vice-president, the certificate of deposit is a liability of the bank within the meaning of section 18, art. 16, tit. 5, ch. 190, Laws of 1919 of Nebraska, which requires that liabilities of the bank be reported to the Department of Trade and Commerce, although the bank receives no consideration or deposit therefor.

In a prosecution of a bank officer for knowingly omitting an outstanding certificate of deposit from the list of liabilities of such bank in a required report to the Department of Trade and Commerce, it is no defense that such officer may have believed that such certificate of deposit was not a liability against the bank. *Wentz v. State*, 188 N. W. 467.

BANK MAY NOT DIVERT COLLATERAL FROM ONE NOTE TO PAY ANOTHER—MISSOURI

A note to a bank authorized the bank to sell certain collateral held by the bank as security, and provided that: "All collateral held by said bank to secure this note may, after the payment of this note, be applied as herein provided to the payment of any other obligation or indebtedness due by the maker hereof to said bank or the holder of this note. The surplus, if any, after the payment of this note and any other and all indebtedness due by the undersigned to said bank, together with all costs as above stated, shall be paid to the maker of this note. If the proceeds of such collection or sale shall not be sufficient to pay this note, costs and all other indebtedness, the maker agrees on demand to make good the deficit." The note was duly paid and surrendered, but the bank refused to surrender the collateral on the ground that it held another note of the same maker.

Held, that the bank could not hold the collateral, as the provisions in the note applied only to a case where the note was not paid and the security was sold in order to pay it. *Garrett v. Bank of Chelsea*, 241 S. W. 87.



TRUST COMPANY DIVISION



Convention Program

THURSDAY afternoon, October 5, has been designated for the meeting of the Trust Company Division.

Although the allotted time is much shorter than heretofore, the program will contain topics of interest to many branches of trust company work. Following the president's annual address, several brief talks will be given upon subjects to be announced in a separate communication to be sent to members early in September.

Officers and committees will not present written reports, but will be allotted five minutes each in order to give a brief résumé of the work done during the year and to answer any questions which may be asked by delegates. These subjects will cover a wide range which includes: "Business Development," "Cooperation with the Legal Profession," "Federal Legislation," "State Legislation," "Community Trusts," "Staff Relations," "Fees for Trust Service" and "Research Work."

Many additional topics have been submitted by members. The final selection of subjects will be made by the committee early in September and will be included in the announcement sent to members.

The Executive Committee of the Division will meet on Monday morning of convention week and a separate session, possibly on Monday evening at 7:30 p. m., will be held for the discussion of "Community Trusts."

Members desiring to introduce topics other than those published on the program should signify their desire to the secretary in order that all possible time may be allotted.

Research Work Begun

The Committee on Research has addressed a circular to certain trust companies in all states asking for information which is preliminary to the extensive work planned to be done among all members under its direction. An explanatory statement, which precedes the seven questions asked all members, reads as follows:

"The Executive Committee of the Trust Company Division, American Bankers Association, has, from time to time, during the past few years, discussed the advisability of obtaining accurate information upon many phases of trust company operation, through which could be supplied absolute knowledge of methods, practices and principles to all of the units of the division.

"With this in view an address was invited and delivered at the Los Angeles

convention in October, 1921, upon the subject of "Facts and Figures We Need." It was reported in full in the November, 1921, issue of the JOURNAL.

"At the May, 1922, meeting of the Executive Committee, a Committee on Research was authorized and formed for the purpose of beginning the work as set forth in the Los Angeles address.

"In order to present a preliminary report to the Executive Committee and Division at the October convention, a few leading trust company officials are invited and urged to reply to the following questions."

Staff Relations

The digest of nearly 750 replies received from the questionnaire issued by the Committee on Staff Relations, which was published in the July JOURNAL, was reprinted in separate form and sent to all trust companies answering the questions. Copies will be supplied to any other members desiring to study this interesting, and in many respects, surprising report. The following are a few of the many comments contained in letters received from members:

"There is no question in the world but that service is the most important item in building up the business of the trust company and likewise that the officers and employees of the company can contribute at least as much to this as any other one cause."

"Digest of your recent investigation regarding Staff Relations is very interesting and should provide a foundation for the development of greater efficiency through the education and cooperation of employees."

"We have read the article with much interest, and, we believe, with considerable benefit. It impresses us as a very important feature of banking and we believe that the personal element in banking service is becoming more necessary every day."

"You have made a very enlightening report and it should prove a benefit to every bank in the United States."

"The information reflected by these questionnaires in this summary is most interesting and undoubtedly will result in giving all of us an impetus to improve conditions in our own institutions. It is to be hoped that some hot spark like this may be radiated occasionally, that we may be awakened from our slumbers to realize the significance of the problems that are before us."

In summarizing the replies, the country was divided into six sections, as follows:

Northeastern Section — Connecticut, Delaware, District of Columbia, Maine,

Maryland, Massachusetts, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont.

Southeastern Section—Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, Virginia, West Virginia.

Northern Central Section—Illinois, Indiana, Iowa, Michigan, Minnesota, Nebraska, North Dakota, South Dakota, Wisconsin.

Southern Central Section—Arkansas, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, Texas.

Northwestern Section—Idaho, Oregon, Montana, Washington, Wyoming.

Southwestern Section—Arizona, California, Colorado, Nevada, New Mexico, Utah.

The material for each section was kept separate and members interested in securing the summary covering their own section of the country may obtain a copy upon addressing L. A. Mershon, Secretary, Committee on Staff Relations, 5 Nassau Street, New York City.

Publicity Committee Meets

On August 11 the Committee on Publicity of the Trust Company Division met in New York City with all members in attendance. The National Publicity Campaign, which is being conducted under the auspices of the committee, was discussed in detail and preliminary plans prepared for the 1923 campaign.

Letters and reports from all parts of the country commanding this movement clearly indicate that new business secured and written which has resulted from this campaign is far greater than was anticipated. Separate communications upon this subject will be sent to members within the next few weeks.

Bank Broadcasts

The Union Trust Company of Cleveland has installed a radio broadcasting station (WJAX) with a range of over 500 miles, from which financial and other news is to be broadcasted four times a day. "I really feel," says A. E. Scoville, vice-president of the trust company, "that our broadcasting in its importance is second only to the introduction of rural free delivery for the farmer, and I make that statement advisedly, because through it we will place the farmer in the position of a man with a private bond ticker in his office."



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Idiosyncrasies of Will-Makers

By HARLEY F. DROLLINGER

Manager New Business Department, The Fidelity Trust Company of Buffalo

DON'T come into my office with a dripping umbrella on a rainy day like this and expect to talk wills with me. Why, man, I can see my grave yawning at me!" This remark was addressed to one of the representatives of a large New York trust company three years ago and is typical of the numerous exhibitions of human temperament displayed in the consideration of a last will and testament.

Certain individuals, men and women alike, become absolutely panic stricken when discussing wills or any other subject that suggests death. This apprehension is developed to an unusual degree in some and but slightly in others. The man above referred to finally made his will, but only after the representative had persistently followed him for months, synchronizing his calls thereafter with the appearance of bright, sunshiny days. He never made another call on a *rainy* day.

If the type were rare it could be disregarded by the New Business Department, but there are many of this type; in fact, so many that one must make a special effort to reach them through some agency that will not shock them by the directness of its appeal. Such a type must be reached by the indirect or historical method, *i. e.*, by quoting the experience of another. For example, "Henry Jones (which, of course, is a mythical name) neglected to make a will and after his death Mr. Jones' family became engaged in a violent controversy which ultimately led to a most regrettable rupture of family relations. This is the last thing Mr. Jones would have wished, but he allowed the welfare and best interests of his family to be jeopardized by his aversion to thoughts of death. Thus the accumulation of a lifetime absolutely failed of its purpose through the utter lack of a plan for its judicious division and application." Tell him what some other man has done or failed to do simply as a matter of history rather than as a parallel to his own case. Let him observe the lesson, but do not refer to it as such. The greatest lessons in the world have been taught by parables.

After a systematic campaign of a year or so in which the subject has been treated historically the prospect should have outgrown his antipathy somewhat and should be ready to consider one of the most important steps toward the future welfare of his family.

The indifferent man would lead you to believe that he has no interest in his family after his final departure. This pose is usually a cloak to cover some condition or situation in his life that has caused him grief, anxiety or mental distress. It, therefore, becomes necessary to discover, if possible and consistent, the cause of such an attitude. When the case is diagnosed the application of a proper remedy is comparatively easy.

From the fact that an attitude of indifference may be the result of innumerable circumstances it is necessary to take into account as many hypothetical cases as possible and weave a story about each. Among those with which I have come into contact the following may serve as examples: The death of a favorite child has been the cause of several cases of indifference and apparent loss of interest in life, likewise the dissipation of an only son, extravagance of a wife or children, incompatibility of husband and wife, lack of appreciation on the family's part, failure of the will of a close friend or relative, etc. The appeal in each of the cases reviewed may be either historical, direct, or a combination of the two, depending, of course, upon other characteristics of the individual concerned.

Occasionally a man hesitates to make a will because he has a secretive nature and is unwilling that others be informed of his personal affairs. It should be explained to this class of individuals that their financial affairs, at least, may become public property after death, regardless of whether or not wills have been made, since an administrator as well as an executor must file a complete accounting of the affairs of an estate where it may be seen by anyone.

Being convinced of this fact the prospect will take action only if thoroughly assured that his personal affairs will be held absolutely confidential during his life. This is a point that is frequently overlooked by trust companies. Absolute confidence should be practiced in fact and spirit, as well as in letter, in all matters of a trust nature, for in no other department of the trust company is the exercise of discretion so important.

Suspicion is a marked characteristic in many individuals, and is usually allied with selfishness. One will do well to look for one of these traits wherever the other is manifested, since the most effective appeal to the selfish man is that which favorably affects his selfish interests.

The direct appeal to the suspicious man is far more effective than the historical, since he is interested in matters that concern himself, not others. Show him where he and his family will profit.

Failure to make wills may, in many cases, be charged directly to lack of information. Some believe that their wives will be able to step automatically into their shoes and take up affairs where they left off. They do not realize that a code of laws has been designed to make a division of their property because they failed to make a will that would provide for its proper distribution. The law is a poor substitute for a father's intimate knowledge of the frailties of his family.

Trust companies are somewhat to blame for this lack of information because much of their literature has been

written in a professional style. The messages have failed of their purpose because the facts were not set forth in an elementary manner, free from technical terms and phrases commonly used by trust company officials.

There are those who are well informed but who lack a well-defined plan for the most effective distribution of their estates. Usually these men welcome any suggestion that may assist them in the solution of their problems. The historical method is of particular value to such individuals. They like to have before them plans used by others from which they may select parts or pieces that suit their particular cases. With these fragments they are able to make patch quilts that will fulfill their respective requirements, and at the same time feel that they are not demanding more than other normal individuals desire. Men who are most considerate of the various members of their families sometimes hesitate to place property in trust for the best interests of their wives or children. They are reluctant to take unusual steps for the protection of their families, but are perfectly willing to follow the procedure adopted by others. It seems to act as a sedative to the conscience. Bearing in mind the remarks heretofore mentioned concerning the violation of confidence in the trust department, it can be readily understood that no specific names may be mentioned in reviewing historical plans used by other men in disposing of their estates.

Finally (and this is not at all a rare case), we meet the man who has no misgivings; who is neither indifferent, secretive nor suspicious; who is well informed and has a definite plan for disposing of his affairs; but he procrastinates. He knows he ought to make a will, intends to make a will, but he doesn't. Procrastination is the bane of a solicitor's very existence. Unfortunately there is no panacea for this malady. The patient must be coaxed, persuaded, cajoled, shamed, wheedled, threatened and driven to perform a duty he had expected to do all the while. The most hackneyed excuse offered is that one hasn't had time to see his attorney. To answer this argument several leading trust companies have devised a form on which complete information regarding his wishes may be noted by the will-maker. When completed he is ready to call on his attorney with all the information he requires and from which a complete will may be drawn. It requires about five minutes to answer all questions on the form if the will is to be simple, and not more than twenty minutes if the will contains trust provisions. This has been a very successful instrument in combating procrastination, but is by no means a cure-all. If this fails other remedies must be applied and the intensity of treatment usually varies with each individual.

Reopening of a Small Town's Closed Bank

By C. W. TATUM
Cashier Bank of Simsboro, Simsboro, La.

AMONG the problems of the small town banker perhaps none is more perplexing than reopening the bank after it has been closed. On January 6, 1922, our little bank closed its doors, the old cashier found a position in another bank. The problem of finding a man to take charge of the affairs of a closed bank, with no hope in view of reopening, faced the newly elected board of directors, who, incidentally, were principally farmers and knew very little of the real principles of banking.

Though I had no banking experience whatever, I accepted the position of cashier because it seemed to be a civic duty for someone to reopen the bank.

When I reported for duty, February 1, there was \$75,000 which was more than six months past due and apparently there was nothing in sight to pay these notes.

The capital stock of the bank had been impaired 65 per cent. on par, and this money had to be raised by these small farmers in less than twenty days—\$6,500 from people who had no money. This task seemed to be the biggest, so we began to work to raise this sum.

In spare time I worked on renewing paper, but my job was to sell or collect \$6,500 from our stockholders. There were a few who were willing to pay, but some refused flatly to pay or even to cooperate with us in raising the money. After a short time all that were going to pay had paid, and there was a balance of \$1,365 which had to be raised. This had to come from outside; but who wanted to invest in an institution which was almost in bankruptcy? Two days before our time expired we raised this money.

Some of the banks we had been corresponding with for a number of years stood by us; others turned their backs on us. For instance, one of them had about \$33,000 worth of paper belonging to this bank, as security on a balance on a note amounting to about \$10,000. This bank would not turn it over to us until we paid off. Another bank told us that we did not think of them when we were in a good con-

dition, therefore if we borrowed money from them we would have to pay them for their kindness to us. This we did—once only.

After it became apparent that we were going to be able to reopen another problem came up. How were we going to hold our old deposits? This we did very nicely, by getting

the people to realize how much they needed this bank, and then showing the people how important it was to keep their deposits with us. Two depositors withdrew when we reopened, but the others have stuck to us. Our deposits are slightly less now than they were when we closed, and our condition is better.



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SAVINGS BANK DIVISION



Convention Plans

OCTOBER 3 will be the date of the largest gathering of savings bankers which has ever been held. That is the date and the City of New York the place of the annual meeting of our Savings Bank Division.

A notable address on the responsibilities and ideals of professional savings bankers to be delivered by a man of national prominence is assured, the name to be announced through the press about the time that this item is read.

A series of concise addresses under the general topic, "How Banks Promote Thrift and Saving," will be presented by experienced speakers from all parts of the country dealing respectively with juvenile work, school savings banking, industrial savings banking, savings bank advertising and the like.

The session will open with the presidential address by Raymond R. Frazier, who will deal constructively with some of the larger problems which now confront both the mutual and the capital stock savings bankers.

The session will conclude with the business meeting, including adoption of resolutions and election of officers.

On the forenoon of the same day will occur the opening session of the main convention.

Another feature on which definite announcement cannot be made at this writing, but upon which advance information will be furnished to all savings bankers who apply, is the program of special conferences and luncheons with which savings bankers are familiar, including the Division's reunion luncheon on October 2.

Hotel reservations should be made at once. Full information on the business and social features of the convention will be sent upon request.

School Savings Report

The splendid results of the school savings banking movement are shown by the honor roll presented herewith. It includes all cities which report to this Division an active participation by at least 75 per cent. of the pupils in the buildings or grades where the system is in operation. It appears that this percentage of participation is the minimum of efficiency and we have reason to believe that the publication of this list will lead to examination of the defects of method or management in other systems.

Also, there appears to be but one city on this honor roll which fails to operate effectively in the lower grades. In practically all cases the data includes operations in the high school.

In addition to the data included in our previous honor roll, we show the amount of total collections and also the gross and net averages of individual deposits

Honor Roll

School Savings Banking Projects—1921-1922

CLASS A—ENROLLMENT OVER 10,000

Rank	City and State	Per Cent. Participating	Total Enrollment in Schools Operating	Number of Pupils Participating	Total Amount Collected	Average Individual Deposit Gross	Average Individual Deposit Net
1	Louisville, Ky.	98	27,717	27,252	\$76,236.57	\$2.79	\$1.07
2	New Britain, Conn.	93	11,408	10,682	31,555.02	2.95	2.86
3	*Rochester, N. Y.	*93	*22,000	*20,460	56,988.31	2.78	1.38
4	Duluth, Minn.	90	17,061	15,408	79,503.37	5.15	?
5	Wilkes-Barre, Pa.	88	18,834	15,602	117,690.81	7.54	2.32
6	Minneapolis, Minn.	85	55,246	47,248	121,014.33	2.56	1.24
7	Memphis, Tenn.	85	23,500	19,992	70,654.16	3.54	1.89
8	Terre Haute, Ind.	85	12,310	10,464	40,625.07	3.88	1.35
9	Pittsburgh, Pa.	84	85,099	71,657	462,002.60	6.45	4.89
10	Youngstown, Ohio	81	21,629	17,653	104,081.70	5.89	2.20
11	Akron, Ohio	81	30,717	25,000	80,862.75	3.23	2.05
12	Evansville, Ind.	80	10,044	8,036	44,972.05	5.59	5.09
13	Peoria, Ill.	79	12,861	10,145	51,604.63	5.08	3.86
14	Scranton, Pa.	77	21,478	16,701	102,623.42	6.14	1.32
15	Springfield, Ill.	76	10,088	7,751	14,646.97	1.89	1.81
16	Dayton, Ohio	75	23,387	17,492	81,603.54	4.65	2.20
17	New Orleans, La.	75	38,264	28,529	56,187.09	1.96	?

*Does not operate below Grade 4.

CLASS B—ENROLLMENT 5000 TO 10,000.

1	Racine, Wis.	95	8,512	8,151	31,106.78	3.81	2.97
2	Meriden, Conn.	91	5,143	4,712	28,713.13	6.09	4.84
3	Jackson, Mich.	87	7,017	6,126	28,253.65	4.61	4.25
4	Huntington, W. Va.	80	8,626	6,956	37,549.19	5.39	3.61
5	Covington, Ky.	78	5,274	4,110	15,259.01	3.71	1.43
6	Bay City, Mich.	78	5,916	4,690	15,439.72	3.29	.42
7	Superior, Wis.	77	9,093	7,000	17,440.00	2.49	2.03
8	Dubuque, Ia.	75	6,286	4,728	11,423.81	2.40	2.18

CLASS C—ENROLLMENT 2000 TO 5000.

1	Morristown, N. J.	99	2,355	2,342	12,126.18	5.17	4.82
2	Cannonsburg, Pa.	98	2,884	2,849	16,097.04	5.65	4.53
3	Beloit, Wis.	98	4,507	4,442	13,061.93	2.94	2.70
4	Cuyahoga Falls, Ohio	97	2,575	2,509	11,399.84	4.53	3.74
5	Alameda, Calif.	97	4,729	4,600	40,665.00	8.84	6.55
6	Belle Vernon, Pa.	97	2,336	2,264	4,977.31	2.19	1.47
7	Martin's Ferry, Ohio	95	2,800	2,660	12,780.03	4.80	3.97
8	Newark, Ohio	92	4,749	4,396	24,490.00	5.57	4.60
9	Mechanicsville, N. Y.	92	2,211	2,041	7,133.19	3.50	3.12
10	Alton, Ill.	89	4,479	4,000	19,087.42	4.77	3.54
11	Hannibal, Mo.	89	3,591	3,184	4,124.56	1.29	1.24
12	Frackville, Pa.	87	2,723	2,396	14,146.61	5.99	4.01
13	Perkin, Mich.	87	2,659	2,335	5,362.80	2.30	2.02
14	Pekin, Ill.	87	2,659	2,322	5,151.93	2.21	2.05
15	Aurora, Ill.	86	4,502	3,899	4,601.74	1.18	1.17
16	Montclair, N. J.	86	4,007	3,467	7,234.32	2.08	.56
17	Ironton, Ohio	85	2,855	2,437	3,667.07	1.50	1.00
18	Tiffin, Ohio	85	2,000	1,700	4,933.59	2.90	2.12
19	New Albany, Ind.	84	2,787	2,362	5,471.06	2.31	?
20	Ansonia, Conn.	83	2,798	2,462	13,384.86	5.43	?
21	Biloxi, Miss.	83	2,032	1,691	2,841.90	1.67	.32
22	Ambridge, Pa.	82	3,188	2,626	12,254.58	4.92	2.37
23	Duquesne, Pa.	82	3,449	2,851	13,959.81	4.89	3.93
24	Kingston, Pa.	82	3,505	2,879	10,890.84	3.77	2.80
25	Sault Ste. Marie, Mich.	81	2,170	1,772	3,283.47	1.85	1.01
26	Mattoon, Ill.	80	2,582	2,300	7,312.04	3.20	2.42
27	Middletown, Ohio	80	4,336	3,493	23,341.60	6.67	5.04
28	Poughkeepsie, N. Y.	79	4,156	3,322	15,254.72	4.59	?
29	Salisbury, N. C.	79	2,799	2,225	1,935.00	.87	.85
30	Fulton, Ky.	78	2,175	1,700	1,320.93	.78	?
31	Oneonta, N. Y.	78	2,206	1,724	12,296.89	7.13	5.80
32	Lebanon, Pa.	77	3,058	2,357	9,729.99	4.13	1.61
33	Connellsville, Pa.	76	2,836	2,178	12,404.03	5.68	1.29
34	Freeport, Ill.	76	3,216	2,452	14,338.94	5.44	3.73
35	Hudson, N. Y.	75	2,287	1,713	6,720.35	3.93	?

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CLASS D—ENROLLMENT UNDER 2000.

Rank	City and State	Per Cent. Participating	Total Enrollment	Number of Pupils Participating	Total Amount Collected	Average Individual Deposit	Gross	Net
			In Schools	Operating				
1	Jamaica Plains, Mass.	99	1,225	1,223	2,495.68	2.04	1.98	
2	Marine City, Mich.	99	372	370	1,780.94	5.08	4.07	
3	Woodriver, Ill.	98	979	964	4,298.19	4.45	3.83	
4	Albion, Mich.	97	1,110	1,086	4,103.90	3.81	1.08	
5	Coraopolis, Pa.	95	1,602	1,532	6,362.41	4.15	1.86	
6	Winsted, Conn.	95	327	311	1,140.06	3.68	.58	
7	Dixon, Ill.	94	1,795	1,600	5,831.51	3.64	2.65	
8	Athens, Pa.	93	822	769	2,943.78	3.83	2.75	
9	Rutherford, N. J.	92	1,437	1,334	2,679.90	1.93	1.87	
10	S. Milwaukee, Wis.	91	1,331	1,219	1,419.60	1.16	1.14	
11	Clearfield, Pa.	90	1,403	1,320	18,318.65	13.87	9.42	
12	Seymour, Conn.	89	1,118	995	1,316.41	1.32	1.19	
13	Mt. Sterling, Ohio	89	317	284	727.11	2.56	1.59	
14	Follansbee, W. Va.	89	1,044	930	2,500.00	2.58	2.41	
15	Atlanta, Ga.	88	1,326	1,176	4,000.00	3.40	.53	
16	N. Plainfield, N. J.	88	1,423	1,260	2,180.44	1.73	1.62	
17	Warwood, W. Va.	86	767	660	4,170.09	6.32	5.06	
18	Mt. Joy, Pa.	86	454	393	832.26	2.11	1.80	
19	Toronto, Ohio	85	811	697	2,007.08	2.87	2.35	
20	Sterling, Ill.	85	1,573	1,338	3,368.67	2.51	1.77	
21	McMechen, W. Va.	84	721	612	3,378.57	5.52	4.31	
22	Schuylkill Haven, Pa.	84	1,028	870	5,083.74	5.84	3.08	
23	Port Jervis, N. Y.	83	1,772	1,485	14,872.65	10.01	7.37	
24	McDonald, Pa.	83	1,696	1,419	9,653.54	6.09	3.94	
25	White Bear Lake, Minn.	83	1,180	984	246.26	.25	.03	
26	So. Charleston, W. Va.	82	833	683	327.51	.48	?	
27	Sistersville, W. Va.	82	1,090	900	3,166.02	3.51	2.81	
28	Marshfield, Wis.	82	1,909	1,556	1,173.00	.75	.74	
29	Stroudsburg, Pa.	81	1,119	905	2,798.43	3.09	2.42	
30	Logan, Ohio	81	1,545	1,250	1,194.78	.95	.83	
31	St. Albans, W. Va.	80	735	593	1,649.71	2.78	1.37	
32	Jessup, Pa.	80	846	682	2,651.02	3.88	?	
33	Marion, Iowa	80	975	784	2,832.17	3.61	3.30	
34	Struthers, Ohio	80	1,483	1,187	4,522.07	3.80	2.14	
35	Carnegie, Pa.	80	1,560	1,250	12,848.57	10.27	7.93	
36	Appleton, Wis.	79	1,673	1,328	2,058.51	1.55	1.50	
37	New Martinsville, W. Va.	79	860	680	3,730.13	5.48	3.53	
38	Warsaw, Ind.	78	1,009	790	3,915.12	4.96	2.57	
39	Waverly, N. Y.	78	1,050	820	4,125.77	5.03	4.10	
40	Niles, Mich.	78	1,783	1,395	2,832.07	2.03	.71	
41	Ramsey, N. J.	75	1,280	965	1,831.34	1.89	1.78	
42	Bogalusa, La.	75	466	353	1,203.84	3.41	1.95	

Monthly Tendency in Savings Deposits

Compiled by Federal Reserve Board

Federal District	No. of Banks Reporting	Saving Deposits		Per Cent. Increase Over Last Month	Savings Deposits Aug. 1, 1921	Per Cent. Increase Over Last Year
		Aug. 1, 1922	July 1, 1922			
No. 1	64	\$1,102	\$1,097	.05	\$1,066	.06
2	30	1,728	1,738	— .06	1,659	4.2
3	80	423	424	— .02	412	2.6
4	18	377	381	— 1.0	384	— 1.8
5	93	269	276	— 2.7	244	10.0
6	78	146	147	— .07	140	.04
7	219	776	784	— 1.1	786	— 1.3
8	35	114	115	— .08	104	9.6
9	15	79	78	— 1.2	76	3.8
10	62	86	86	— 0	81	6.2
11	115	69	70	— 1.0	62	11.0
12	75	766	771	— .08	714	7.2
TOTALS	884	5,942	5,974	— .05	5,734	3.5

per participant. These averages are significant.

The averages per enrolled pupil which appear in the complete table are not deemed of sufficient importance to be given for these more efficient systems, although bankers will deem them worthy of study when noting the amounts received in other places.

The number of cities reporting for the last school year is 363, as compared with 175 for the previous school year. Practically all of this increase in number of reporting systems is due to new installations at various dates during the school year, and therefore a further substantial increase in the grand total of collections may be expected next year, even though

Savings Bank Division's Monthly Business Text

VII. *Larger use of savings deposits by banks for direct benefit of savings depositors both individually and as a class.*

Aim: To assure the full benefits of sound savings banking to all savers, thus building a shield against imitators and detractors.

Plan: Allow priority to savings depositors for loans from savings deposits, security therefor being within the restrictive laws (if any) and sound banking.

Steps: Home-ownership being the worthy goal of an army of savers and being a medium of appeal now used to disparage the value of savings banks, it is urged by President Frazier and others of this Division that all savings banks give mortgage loans first place in their list of investments. A general adoption of such a policy will protect the public against unstable methods and also against the establishment of another tax-free mortgage loan institution for which the propaganda continues. Having duly organized the functions of the bank or its subsidiary company,

First—Protect the bank by assuring capable management and reasonable appraisals.

Second—Require expert advice from most influential and capable local realtors by retaining their services or requiring applicants to present their expert appraisals either individually or jointly. Attention to this detail is of the utmost importance.

Third—Insist upon systematic but fair amortization of loans, ordinarily by a payment on principal at interest dates. It not only improves personal finance, but is sound banking policy and increases the amount of loanable funds.

We make this suggestion in all seriousness and with all earnestness, believing that we indicate a duty which rests upon all savings banks and savings departments in the interest of sound banking, and upon every savings banker in the interest of good citizenship.

there be no substantial change in the averages per pupil.

We urge that every city and town which does not appear upon this honor roll shall ask, "Why cannot we be as efficient as others in the handling of this educational project, which is second to none in importance and is not to be operated primarily as a means for increasing bank deposits?"

The usual report on all systems has become too large for publication in this periodical and it may be published as a separate bulletin to be had upon application to the Division.

Helping Europe

Helping Europe, in the opinion of Percy H. Johnston, president of the Chemical National Bank, who has recently returned from Europe, where he visited eleven countries, studying economic and financial conditions, should be a profitable investment.

"It is essential and proper," says Mr. Johnston, "for America to take cognizance of this situation and for us to ask ourselves the question—is it worth while for us to take part in a world rehabilitation—to take part not from an altruistic impulse, but from a hard-headed and, if you like, from a dollars and cents viewpoint?

"If patriotic idealism does not move us to some kind of constructive program, then enlightened self-interest will drive us to it. The settlement has to do with business rather than politics. Our best informed business men should be delegated to the task and clothed with all necessary powers. Congress should in this instance delegate these powers to the men best qualified to exercise them and to men unhampered by reason of political affiliations. The day of settlement is inexorable, a prompt adjustment is essential, and the sooner made the better. The world will continue in turmoil and uncertainty so long as we drift as at present. I believe that through some processes we in America can hasten the reestablishment of international commercial equilibrium."

Bank Advertisements

Do you need help in preparing your bank's advertising? The pamphlet of bank advertisements issued by the Public Relations Commission of the American Bankers Association, embodying copy prepared by experts in forms applicable to local publicity campaigns, may go far toward solving your problem.

The production of good advertising requires especially trained talent and many concerns pay big prices to obtain the services of experts in preparing their advertising copy. This pamphlet gives you without cost the benefit of the work of several experts; and that it has proved of practical service to banks that have availed themselves of it is shown by the following typical ex-

National Bank of Commerce in New York

Established 1839

STATEMENT OF CONDITION

JUNE 30, 1922

RESOURCES	LIABILITIES
Loans and Discounts... \$269,296,865.11	Capital Paid up..... \$25,000,000.00
Overdrafts, secured and unsecured 30,828.59	Surplus 25,000,000.00
U. S. Certificates of Indebtedness, Treasury Notes and Liberty Bonds 83,808,211.59	Undivided Profits 11,405,470.95
Other Bonds and Securities 8,291,658.36	Deposits 449,585,896.00
Stock of Federal Reserve Bank 1,500,000.00	Dividend payable July 1, 1922 750,000.00
Banking House 4,000,000.00	Dividends unpaid 10,790.50
Cash in Vault and due from Federal Reserve Bank 54,651,991.13	Bills Payable with Federal Reserve Bank... 3,000,000.00
Due from Banks and Bankers 5,681,810.04	Reserved for Interest and Taxes Accrued 2,941,456.34
Exchanges for Clearing House 99,301,643.91	Unearned Discount 1,253,766.34
Checks and other Cash Items 2,311,867.49	Letters of Credit 11,046,419.83
Interest Accrued 2,141,752.06	Acceptances executed for Customers 25,334,465.93
Customers' Liability under Letters of Credit and Acceptances 34,684,826.20	Acceptances sold with our endorsement 849,542.44
	Foreign Bills sold with our endorsement 2,727,946.15
	Other Liabilities 6,795,700.00
\$565,701,151.48	\$565,701,151.48

PRESIDENT
JAMES S. ALEXANDER

VICE-PRESIDENTS

J. HOWARD ARDREY
JOSEPH A. BRODERICK
GUY EMERSON

LOUIS A. KEIDEL
DAVID H. G. PENNY
JOHN E. ROVENSKY

FARIS R. RUSSELL
STEVENSON E. WARD
ROGER H. WILLIAMS

SECOND VICE-PRESIDENTS

HARRY P. BARRAND
LOUIS P. CHRISTENSEN
JAMES I. CLARKE

EIMORE F. HIGGINS
ARCHIBALD F. MAXWELL
FRANZ MEYER

EDWARD H. RAWLS
EVERETT E. RISLEY
HENRY C. STEVENS

CASHIER
ROY H. PASSMORE

AUDITOR
PAUL B. HOLMES

JAMES S. ALEXANDER
JOHN W. DAVIS
HENRY W. de FOREST

CHARLES E. DUNLAP
HERBERT P. HOWELL
JOHN G. SHEDD

VALENTINE P. SNYDER
HARRY B. THAYER
JAMES TIMPSON
THOMAS WILLIAMS



cerpt from one of many letters received:

"The booklet will be of great service to us in preparing our advertising copy. It makes it possible for us to go to the booklet and select an advertisement of value when other requirements upon our time make it impossible to give our advertising the attention it should have. Your advertising service should be appreciated by all mem-

ber banks whether they have advertising specialists hired or whether they write the copy themselves."

The Public Relations Commission still has a limited supply of these booklets on hand. Copies will be sent to those requesting them. Requests should be addressed to Gurden Edwards, secretary of the commission, at the headquarters of the American Bankers Association, 5 Nassau St., New York City.



NATIONAL BANK DIVISION



Standard Quality of Bank Note Paper

COMPLAINTS about the quality of paper upon which national bank notes and other issues of paper currency are printed have been received with considerable frequency during the last few years by the Treasury Department. The National Bank Act provides that such notes shall be printed upon a distinctive or special paper to be adopted by the Secretary of the Treasury. The experience of the department has shown that a linen paper is much more satisfactory for bank note manufacture. Prior to the war the linen clippings used in this paper were received from Ireland, Germany and Belgium. Each one of these countries has a vast linen manufacturing industry and they received their flax for the most part from Russia. The war cut off the supply of raw material, with the result that the linen industry in the countries mentioned suffered severely and consequently the clippings previously used in the manufacture of distinctive paper were not available. The government was forced gradually to lessen the amount of linen in its notes and finally it reached the point where 100 per cent. cotton was used.

The cotton bank note lacks the smooth hard surface that linen produces, and in addition to wearing out more quickly, the cotton notes look more worn frequently than they really are and because of this they are sent to the Treasury Department for early destruction.

Since the war the supply of linen cuttings has gradually increased until during the latter part of the fiscal year, which ended June 30, 1922, 50 per cent. linen was used. For the present year, however, a paper made of 75 per cent. linen is available and in use and it is certain that much of the annoyance occasioned during the last few years will be eliminated. A 100 per cent. linen paper is the aim of the Treasury Department and doubtless it will be obtained within a reasonable time.

Bank Notes

National bank notes outstanding, Aug. 18, 1922.	\$759,479,949.50
Federal Reserve Bank notes outstanding, Aug. 18, 1922.....	72,176,400.00
Total.....	\$831,656,349.50
National bank notes issued during week.....	\$7,628,930.00
Federal Reserve Bank notes issued during week	216,000.00
Total.....	\$7,244,930.00

National bank notes redeemed during week...	\$6,905,787.50
Federal Reserve Bank notes redeemed during week	1,293,000.00
Total.....	\$8,198,787.50

whatever else is desired will be dispensed. Let the attendance at the National Bank Division meeting reflect alike the numerical and associational importance of the Division.

State Vice-Presidents

The by-laws of the National Bank Division provide for a vice-president in each state. These officers are elected by the National Bank members of the American Bankers Association in the several states and hold office for one year from the time of the first annual meeting of the Division following their election. Those already reported as selected this year and who will enter upon their duties at the time of the convention in New York in October are:

Alabama—Thomas A. Bowles, cashier Central National Bank, Albany.

Arizona—W. H. Thomson, vice-president Phoenix National Bank, Phoenix.

Arkansas—J. A. Abernathy, vice-president First National Bank, Fordyce.

California—Charles J. Crary, president First National Bank, Richmond.

Colorado—W. R. Armstrong, president Colorado Springs National Bank, Colorado Springs.

Connecticut—Frank P. Furlong, vice-president Hartford-Aetna National Bank, Hartford.

Dist. of Columbia—Edw. J. McQuade, vice-president Liberty National Bank, Washington.

Florida—Charles A. Faircloth, president National City Bank, Tampa.

Georgia—J. J. Wilkins, president Georgia National Bank, Athens.

Idaho—George E. Hill, president Jefferson County National Bank, Rigby.

Illinois—C. R. Tombaugh, vice-president National Bank of Pontiac, Pontiac.

Iowa—George Schaller, vice-president Citizens First National Bank, Storm Lake.

Kansas—Willis Westbrook, president First National Bank, Peabody.

Louisiana—Frank Roberts, president Calcasieu National Bank of S. W. La., Lake Charles.

Maine—Charles S. Hichborn, president First National Granite Bank, Augusta.

Maryland—J. E. Boisseau, vice-president National Union Bank of Maryland, Baltimore.

Massachusetts—C. W. Holland, cashier Andover National Bank, Andover.

Michigan—John Ballantyne, president Merchants National Bank, Detroit.

Minnesota—J. K. Martin, president First National Bank, Little Falls.

Mississippi—W. P. Jones, assistant

cashier First National Bank, Hattiesburg.
 Missouri—J. E. Garm, president Joplin National Bank, Joplin.
 New Hampshire—E. N. Pearson, president First National Bank, Concord.
 New Jersey—Henry G. Parker, National Bank of New Jersey, New Brunswick.
 New York—Edward Alley, president Second National Bank, Cortland.
 North Carolina—J. L. Little, president National Bank of Greenville, Greenville.
 North Dakota—G. S. Newberry, cashier First National Bank, Carrington.
 Ohio—R. Q. Baker, cashier Coshocton National Bank, Coshocton.
 Oklahoma—John G. Parker, cashier Garfield National Bank, Enid.
 Oregon—D. W. Eyre, president United States National Bank, Salem.
 Pennsylvania—D. J. Leopold, cashier First National Bank, Lebanon.
 Rhode Island—S. P. Cook, president Producers National Bank, Woonsocket.
 South Dakota—H. F. Haroldson, cashier Farmers National Bank, Brookings.
 Tennessee—Wesley Drane, chairman board, First National Bank, Clarksville.
 Texas—W. W. Woodson, president First National Bank, Waco.
 Utah—J. H. Grut, cashier Continental National Bank, Salt Lake City.
 Vermont—Levi H. Bixby, cashier Montpelier National Bank, Montpelier.
 Virginia—E. L. Robey, president National Bank of Herndon, Herndon.
 Washington—F. H. Luce, vice-president National Bank of Commerce, Seattle.
 Wisconsin—E. R. Estberg, president Waukesha National Bank, Waukesha.

State Secretaries' Program

THE secretaries of the State Bankers Association will foregather in annual meeting, during the American Bankers Association convention, on Tuesday afternoon, October 3, at the New York Chapter Rooms, 15 West 37th Street.

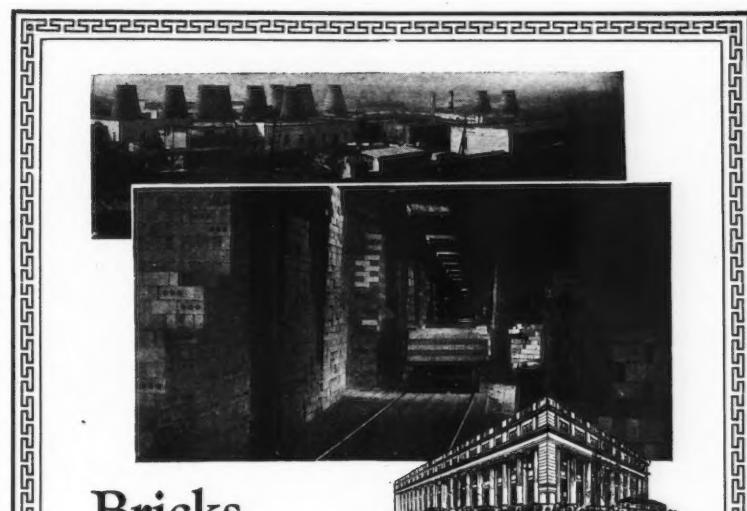
The program, as so far outlined, is as follows:

Annual address by the president, Secretary Andrew Smith, Indiana; appointment of Committees, Resolutions, Nominations; report of the secretary-treasurer, Secretary M. A. Graettinger, Illinois; report of the Committee on Forms, Secretary W. C. Macfadden, North Dakota; report of the Committee on Insurance, Secretary Andrew Smith, Indiana; report of the Committee on Simplified Income Tax Forms for Banks, Secretary W. F. Keyser, Missouri.

Round table discussions on the following subjects:

Protective Matters. Led by M. A. Graettinger, Illinois; assisted by Robt. E. Wait, Arkansas; Frank Warner, Iowa; F. H. Colburn, California; W. B. Hughes, Nebraska.

County Organizations: Scope and Functions. "How far should state associations go toward furnishing speakers, expense, etc.?" Led by W. W. Bowman, Kansas; assisted by Haynes McFadden, Georgia; S. A. Roach, Ohio; W. A.



Bricks

MILLIONS of St. Louis bricks, of every imaginable type and kind, are each year shipped to all parts of the United States. For Uncle Sam's largest brick-making plant is at St. Louis. Also his largest factories for the making of shoes, drugs, lead, macaroni, street cars, buggies, tobacco, lightning rods, stoves and ranges, terra cotta, flue cleaners, ice cream cones and many other products.

The financial contact point for this vast manufacturing center is the Mercantile Trust Company, which has long held a leading position in St. Louis industrial and commercial life, and is therefore especially qualified to serve banks and business concerns seeking adequate banking connections in this very important territory. Nine highly specialized and systematized departments insure satisfactory service.

Banking Bond Corporation	Real Estate Loan Real Estate Public Relations	Safe Deposit Savings Trust
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Mercantile Trust Company
Member Federal Reserve System
EIGHTH AND LOCUST U.S. Government Supervision -TO ST. CHARLES
SAINT LOUIS
Capital and Surplus \$10,000,000

Philpott, Jr., Texas; Geo. D. Bartlett, Wisconsin.

"How to Successfully Put Over the A. B. A. Educational Campaign." Led by C. F. Zimmerman, Pennsylvania; assisted by Geo. H. Richards, Minnesota; Edw. J. Gallien, New York; Mrs. H. M. Brown, Michigan; H. G. Huddleston, Tennessee.

"Shop Talk." Led by Eugene P. Gum, Oklahoma; assisted by each secretary present.

Reports of the Committee on Resolutions and the Committee on Nominations; election and installation of officers.

(The newly elected Board of Control will meet immediately after adjournment of the annual meeting.)

The officers of the State Secretaries Section are: President, Secretary Andrew Smith, Indiana; first vice-president, Secretary W. B. Hughes, Nebraska; second vice-president, Secretary J. L. Hartman, Oregon; secretary-treasurer, Secretary M. A. Graettinger, Illinois.

Board of Control: Andrew Smith, Indiana; W. B. Hughes, Nebraska; W. F. Augustine, Virginia; H. M. Brown, Michigan; H. G. Huddleston, Tennessee.

Most of the state bankers associations, with the exception of Michigan, will have headquarters in the Commodore Hotel, all of them being located on the seventh floor. Michigan will have headquarters at the Biltmore.

The State Bank

NEW YORK

Member of the New York Clearing House Association

Condensed Statement as of the close of business, June 30th, 1922

RESOURCES

Loans and Discounts.....	\$51,000,773.35
Public Securities (Market Value)....	10,756,564.29
Private Securities (Market Value)....	17,311,315.46
Banking Houses.....	1,339,874.46
Cash and Exchanges.....	9,065,819.14
Customers' Liability, Account of Acceptances, etc.	2,246,931.70
	\$91,721,278.40

LIABILITIES

Capital Stock.....	\$ 2,500,000.00
Surplus and Undivided Profits.....	4,281,414.31
Reserves for Taxes, etc.	421,832.48
Quarterly Dividend Payable July 1st, 1922.....	100,000.00
Due Depositors.....	82,183,996.68
Bills Payable and Rediscounts.....	None
Acceptances, Letters of Credit, etc.	2,234,034.93
	\$91,721,278.40

NET DEPOSITS

1919 - \$36,000,000
1922 - 77,000,000

No Mergers—No Consolidations—Natural Growth

HAROLD C. RICHARD, President

A. I. VOORHIS, Vice-President
J. KNEISEL, Vice-President
W. B. ROTH, Vice-President

C. A. SMITH, Vice-President
H. W. VOGEL, Vice-President
J. A. ALLIS, Vice-President

William A. Nash

William A. Nash, chairman of the Board of Directors of the Corn Exchange Bank of New York, died suddenly at his home in New York on August 30. He began his banking career at the age of fifteen years as clerk and messenger with the Corn Exchange Bank, and from 1883 to 1910 was its president. For years he had been prominent in the New York

Clearing House and he also was a director or trustee of many corporations and institutions.

The Advertising Club of New York, 47 East 25th Street, New York City, will maintain open house for visiting bankers during the week of the annual convention of the American Bankers Association, October 2 to 6.

Montana Bankers

The nineteenth annual convention of the Montana Bankers Association, in Missoula, proved to be one of the most valuable conventions in the history of the association, notwithstanding the fact that the attendance was somewhat less than last year—due principally to the unsettled railroad conditions. Speakers of prominence addressed the convention, and entertainment of most delightful character was offered by the bankers and people of Missoula.

One of the features of the meeting was the unanimous vote of the convention of a contribution of \$1,000 to Mrs. A. L. McCain of Roy, Mont. Mrs. McCain is the widow of A. L. McCain, who was killed in a rifle battle with bandits who held up the First National Bank of Roy on June 13. Mr. McCain had no interest whatever in the First National Bank, but, in the interest of law and order, joined the posse of citizens to pursue the bandits, and the contribution was made as some evidence of the appreciation of the banking profession for the heroic service of Mr. McCain.

Officers elected at the meeting for the ensuing year were as follows: President, Sam Stephenson, president First National Bank, Great Falls; Vice-President, F. E. Stranahan, president Stockmen's National Bank, Fort Benton; Secretary-Treasurer, A. T. Hibbard; Member of Executive Council for A. B. A., F. T. Sterling, president Western Montana National Bank, Missoula.

Replacing Worn Currency

There is at present about \$4,500,000,000 of currency in circulation in the United States. While a considerable part of it at any given moment is in the safes of individuals, business concerns or banks, yet much of it is in people's pockets or in process of passing from hand to hand, and so is subject to wear. In this country paper money, which forms about four-fifths of our whole supply of currency, is generally preferred above coin because of its lightness and convenience. But paper money wears out rapidly and has to be replaced frequently. The life of a \$5 note, for example, is on the average about ten months, and in New York City it is about two months less than the average.

Overflowing Japan

Japan's fundamental problem—the one out of which grow all other Japanese problems in which the world is interested—is that of great density of population coupled with an inadequate supply of food and raw materials. Fifty years ago the population of Japan proper was less than 33,000,000. Today it is more than 57,000,000. There has been an increase in five decades of more than 75 per cent, but there has been no corresponding increase in the country's arable land.—From "Mysterious Japan," by Julian Street.

Claims Against Germany

SECRETARY of State Hughes announced in Washington, on August 10, the signing of an agreement with Germany creating a commission by which American claims against Germany are to be determined. The agreement provides for two commissioners, one to be named by each of the Governments, and for an umpire to decide matters when the commissioners cannot agree. The categories of claims upon which the commission will pass are defined as follows:

1. Claims of American citizens, arising since July 31, 1914, in respect of damage to, or seizure of, their property, rights and interests, including any company or association in which they are interested, within German territory as it existed on August 1, 1914:

2. Other claims for loss or damage to which the United States or its nationals have been subjected with respect to injuries to persons, or to property, rights and interests, including any company or association in which American nationals are interested, since July 31, 1914, as a consequence of the war;

3. Debts owing to American citizens by the German Government or by German nationals.

The agreement further provided that it shall "come into force on the date of its signature," and therefore was not held by the Administration to be contingent upon ratification by the Senate. Simultaneous with the signing of the agreement came announcement of the appointment of William R. Day, Associate Justice of the Supreme Court, as umpire. President Harding designated the umpire upon the request of the German Government.

The agreement apparently renders unnecessary a bill pending in Congress proposing an American Commission to pass upon claims of American citizens and authorizing utilization of German properties now controlled by the Alien Property Custodian to satisfy American claims. Apparently, also, this agreement does away with the necessity for a treaty with Germany setting up a joint claims commission, and the Alsop claim against Chile, settled by Secretary of State Knox, without reference to Congress, has been cited as a precedent for the present action of the Administration.



Fred Collins Memorial Fund

"The Fred Collins Memorial Fund" is being raised by Tennessee bankers as a memorial to the late Fred Collins of Memphis, Tennessee, who had so many friends all over the country. This fund will be used to provide loans at the University of Tennessee for worthy students who are too poor to pay their expenses. This was regarded by the committee as a more fitting and more enduring memorial than marble and bronze. Fred Collins was himself a graduate of the University of Tennessee, and was a great friend of young men.

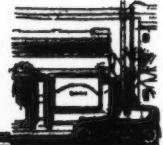
Dwight Armstrong, vice-president of the Commercial Trust and Savings Bank, Memphis, Tennessee, is chairman of the

fund. He reports phenomenal progress, and states that on account of the great number of checks sent by friends beyond the borders of Tennessee it has been officially decided to yield to the requests of those banker friends and accept all voluntary contributions from out of the state.

A portion of the annual dues of the Tennessee Bankers Association is set for this fund, and personal contributions are being received from bankers of the state. It is planned to raise in the state \$25,000 within a period of four years. It is thought that this amount will be greatly augmented by voluntary contributions from friends outside the state.



STATE BANK DIVISION



Sixth Annual Meeting

THE sixth annual meeting of the State Bank Division of the American Bankers Association will be held in the afternoon of October 2 at the Commodore Hotel, New York City, in connection with the forty-eighth annual convention of the American Bankers Association. The principal speakers will be Eugene Meyer, Jr., managing director of the War Finance Corporation, whose subject will be "Financing Agriculture," and Marshall Cousins, Commissioner of Banking of the State of Wisconsin, who will speak on "Practical Problems of State Banking." The usual public forum principles of the Division, in the form of general discussion from the floor, will be made one of the special features of the program this year, and it is expected that this will be productive of frank discussion of a number of important questions.

Blue-Sky Legislation

The National Association of Supervisors of State Banks, at its recent convention in Detroit, resolved that:

"We reaffirm the resolution of the last annual convention relative to the so-called blue-sky legislation, and that we approve of the enactment of laws by the legislatures of the respective states, prohibiting the sale and offering for sale of the stocks, shares, bonds, debentures and certificates of indebtedness of companies, syndicates and corporations, until authority has been obtained from the state permitting such sales or offering for sale, and we recommend such laws especially provide every company, syndicate, corporation or other organization, be required to file a complete and detailed report of the business, supported by its sworn statement of the officers and directors, and that it be further required that an abstract of such statement in such form as may be required by the supervising authority of the state, be published in newspapers of general circulation as the supervising authority may direct, before any permit authorizing the offering for sale of such securities becomes effective, and we further recommend that the making of a false statement, or the concealing of material information as to the organization, condition, or business of the company or corporation by the officers, directors, or agents thereof, be punished by a severe fine and imprisonment. We believe that this is a subject upon which there should be general legislation by the Congress in restricting the use of the mails in making offerings of securities, the sale of which has not been authorized by a supervising authority, and we also believe the legislature of each state should adopt such legislation as the conditions in the state may require. We recommend that all proposed legisla-

tion on the subject be most carefully considered before being adopted, that legitimate, honest business enterprises may not be unduly retarded in their development, and we further recommend that there be cooperation between the so-called 'blue-sky' departments of the respective states."

Cooperative Reclamation

Bankers in the cut-over timber sections of Minnesota, Michigan and Wisconsin, and to some degree in the cotton and turpentine states of the south and the lumber sections of North Carolina, have given effective help to the farmers in financing the reclamation of their lands. In Wisconsin, for example, a good many carloads of high explosives for land clearing have been bought directly by the banks and distributed in small lots to the farmers, whose notes have been taken in payment. In other cases the banks have loaned to the local dealers, located at central points, sufficient funds to make carload purchases of explosives, which the dealers have then distributed, taking the farmers' paper in settlement. The result in Wisconsin, Minnesota and Michigan has been that instead of buying individually in lots of 100 or 200 pounds of dynamite at a time, the farmers have been enabled to buy in community carloads of 20,000 pounds, either through their local banks or through local dealers financed by their banks, at savings of from \$1,100 to \$1,500 a car. The agricultural departments of several of the state universities, particularly the University of Wisconsin, have done excellent work in educating the settlers in the use of explosives for land clearing and in pointing the way to the formation of farmers' clubs and county land clearing associations through which, generally with the support of the local banks, explosives have been bought cooperatively at substantial savings to the farmers.

A representative of one of the largest manufacturers of explosives writes: "It is also my belief that explosives are being used for land clearing just about as rapidly as the settlers can absorb the expense and produce productive land sufficient to carry the investment. It must be remembered that cleared land is not often productive within a year of clearing, only certain sections being profitably productive within the first growing season after clearing, and it is my opinion that it is better for settlers to put a proportionate part of their acreage under cultivation each year, than to have a financially supported program which would result in the clearing at once of the land, without the facilities to handle, either in the way of finance, labor or machinery. The best results have been through clearing four or five acres each year, making the land pay for the labor, work and machinery as it comes along."

What Country Banks Are Doing

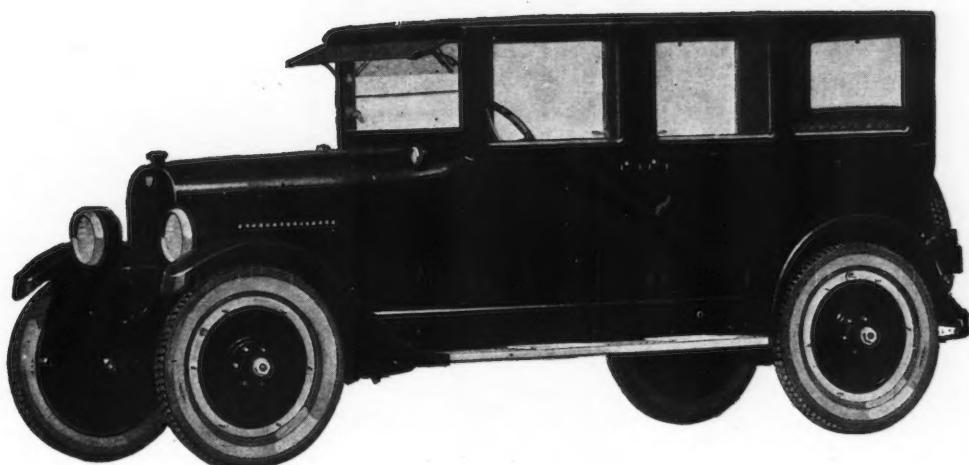
This is from Missouri: "The American Bankers Association will become more valuable to the country banks when the association gives more consideration to what the country bank is doing. Just now, for example, the country banker is making the most heroic effort the world has known to protect and sustain the farmers in the primitive industry, agriculture. And it is a fact that the country banker is not receiving the help that he should receive from credit sources to sustain the agricultural interests of his particular community. To be more explicit, farmers' notes that were a year ago good beyond a doubt, being secured by cattle and other live stock as well as farm lands, have now become loans with great risk attached, owing to the depreciation of property. City banks or the Federal reserve bank, through which the country banker obtains his credit, place upon the country bank the entire element of risk to maintain and safeguard agriculture. And the situation has become further complicated by the fact that deed of trust notes are not accepted as collateral, simply because they are not liquid assets. While the country banker is just a little dot in the great finances of this country, at the same time, if all these little dots were destroyed I do not think the city banks' interest would obtain. The country banker renders a service as a personality and conducts a business that entitles him to more consideration than he has yet had."

New Banks Where Not Needed

A state banker in Washington says: "We are opposed to new banks where they are not needed. That is where a bank is established more on account of jealousy, than for improving conditions. Where in a small town deposits do not exceed \$750,000 and the people established run a good bank—as much as if they had competition—giving the proper accommodations, I think the community is better off in having this one good bank with sufficient capital and surplus, than in dividing the business. Charters should be refused unless a sufficient number of people do signify that the old bank does not render the most up-to-date services. The same should be true in suburban districts up to a million dollars, for in either case it will only weaken the older institution in earning power and the second bank seldom does any good if the old bank is sound."

Country Banks in the Federal Reserve System

A North Carolina banker contributes the following in connection with the par collection controversy: "There ought to be some action of Congress of such nature as would make it possible for small banks



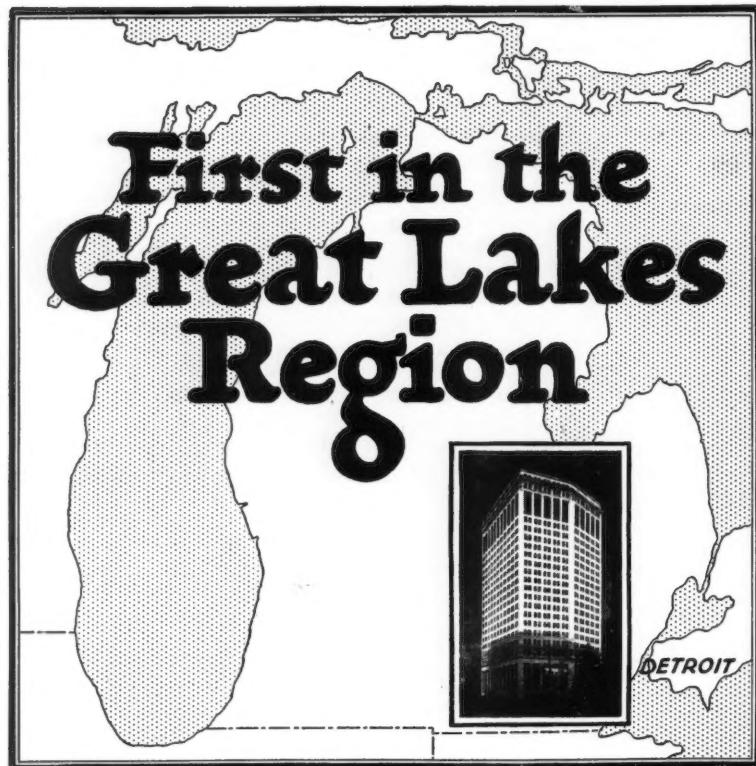
Close comparison causes the remarkable value of the good Maxwell to stand out unmistakably. It is generally agreed now that only high ideals expressed in fine manufacturing, can produce a car of such beauty, stamina, and economy, at such a price.

Cord tires, non-skid front and rear; disc steel wheels; drum type lamps;
Alemite lubrication; motor-driven electric horn; unusually long
springs; deep, wide, roomy seats; new type water-tight windshield

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IN every part of the world as Bankers think of this marvellous producing region, we want the name of this Bank to enter their minds first.

To serve their interests, a great modern twenty-four story bank and office building was erected. It, like Detroit's great manufacturing plants, is equipped and organized to handle business quickly and well.

More than twenty thousand items pass through this Bank daily from corresponding banks who think of us as "First" in the Great Lakes Region.

(Formerly First & Old Detroit National Bank)

FIRST NATIONAL BANK DETROIT MICHIGAN

The First National Bank, the Central Savings Bank and the First National Company of Detroit, are under one ownership.

to receive something for their work in connection with checks collected by them. We have been on the par list ever since the order was given by the Federal reserve bank that all checks should be collected at par, but we do not believe it is right that all this work should be done for nothing. Some arrangement ought to be made by which the Federal reserve bank and the large banks that benefit from deposits in Federal reserve centers should be compelled to pay a

reasonable amount to be set aside and to be paid pro rata to the banks of the country for the collection of checks according to the business done by each one. It is not right that the Federal reserve banks should make 100 per cent, while the small banks that really do the business of the country should be crowded out of existence because they are unable to make profits enough to keep them alive. Our country demands banks in small centers of population as well as in

large centers. If these small banks have to quit business the whole people will suffer. Why should not the Federal reserve banks bear a part of the expense of collecting the millions of checks that have to be handled daily? We have been told by the Federal reserve system that if our accounts were so small that they would not pay us, we should make a service charge, but if the managers of the Federal reserve system would stop to think, or if they were in close enough contact with the country bank problems, they would readily know that the small depositor and the farmer would not pay a service charge for the privilege of depositing his money, preferring to carry it in his pocket, and in this manner millions of dollars would be hoarded. This is not idle talk, as the writer has had many conversations with farmers along these lines, and in every instance they have said that they could just as well carry their money in their pockets as to pay for depositing it."

Credit Policy

The Committee on Agriculture of the Arkansas Bankers Association recently sent the following poster to every banker in the state, "and invariably," says E. J. Bodman, chairman of the committee, "they are posting it in a conspicuous place."

OUR CREDIT POLICY

While this bank is vitally interested and affected by the crop plans of this community we do not presume to have the right to direct the farm plans for this locality.

We feel that we have a right, however, to determine fundamental policies that are necessary in order for this bank to give the farmer credit.

No money will be loaned the farmer for the purpose of buying feed.

No money will be knowingly loaned the merchant for the purpose of buying feed that is to be sold to the farmer.

This bank will loan money to the farmer only when his crop plans provide for ample acreage necessary to produce food for the people on the place and the feed for the animals.

This policy is necessary to protect the interests of our depositors, whose money we are lending. The above policy has proven safe and sound.

A suggested base for feed acreage as taken from government reports is as follows: Corn, five acres, and hay crops, two acres for each work animal, and ample acreage in feed and hay crops and pasture for the cows, hogs, and other animals on the place.

This bank will do all it can to aid farmers who are entitled to credit in the purchase of milk cows, hogs and poultry necessary to provide milk, meat and eggs for family consumption.

A farmer with hay in the barn, corn in the crib, meat in the smoke-house, and with poultry, eggs and cream to sell, is usually in good standing with this bank.

These principles are in conformity with policies as adopted by the farmers in convention in Little Rock.

PLAY SAFE—DON'T GAMBLE.

Discrimination Against State Banks

An Oregon correspondent says: "It is a fact well known to all state bankers that the United States Government is working against the operation of state banks in every way that they possibly can. The operation of the postal savings banks' funds is one case. When this law was first enacted it was specifically stated that no bank would be discriminated against that could qualify. We had the postal account from the time it started but as soon as we had a competitor (national) bank they took the account there, and had it been \$50,000 it would have gone at once the same as though it was only \$1,000, so that there was a chance that if we had been so shortsighted as to have taken a large amount we would have been seriously embarrassed by such withdrawal. This bank had been here fifteen years, the national bank had just started, and if this situation exists in other places it is a condition that is detrimental in the extreme to state banks, and every effort should be put forth by the American Bankers Association to correct it. It is unfair, un-American and reprehensible and there can be no benefits that will justify such action. And yet they advise me that such is the law."

Interest Rates and Investments

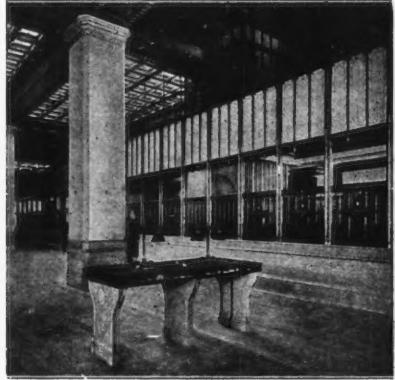
"I am convinced," says a western banker, "that a strong campaign should now be inaugurated for the purpose of convincing bankers throughout the country that they should lower the rate of interest being paid on balances. Recently I met many bankers who told me that they were paying from 4 per cent. to 4½ per cent. These same bankers were seeking investments that would yield them from 5½ per cent. to 6 per cent. In order to get the high yield, I am very fearful that they will take on investments that should never find their way into the portfolio of any bank."

Bank Superintendents Would Limit Branch Banks

The National Association of Supervisors of State Banks at its recent convention adopted the following: "Resolved that inasmuch as it appears that national banks are starting a movement to establish branch banks in some of the larger cities, which may prove to be unjust and disadvantageous to state banks in states where the law prohibits state banks from establishing branches, we protest to the Comptroller of the Currency against permitting national banks to establish branches in those localities where the state law prohibits state banks from establishing branches."

Payment for Services

A North Carolina banker says that he cannot see why a bank should not be paid for whatever services it may render as much as anyone else. The country bank is at the "end of the line," and has to deal with a different class of people from those dealt with by the city bank.



*How The Famous
Irving National
Bank*

*Gives Instant
Service to Patrons*

*The New Improved
Brandt Automatic Cashier*

Standardized by Bankers Everywhere

The Irving National Bank, Woolworth Building, New York City, after installing one Brandt, found the equipment indispensable and now use 71 Brandts in its main building and branches; each successive purchase constituting a repeated indorsement of the dependable service rendered by the Brandt Automatic Cashier.

The Brandt at any teller's window indicates two things: that customers get service measured by seconds; that tellers are relieved from the drudgery of computing, selecting, counting and then recounting coins by the head and hand method.

Press one key on a Brandt and instantly the required combination of coins are ready for delivery. No building up or computing necessary. One key does it all. Operation as simple as pushing a buzzer button. Automatic Locking Device makes it fool-proof.

Every Bank needs a Brandt. Prove this to your own satisfaction and profit by learning more about this mind and minute saver, used by over 26,000 indorsers.

*Write for your copy of the booklet
"When Minutes Mean Dollars."*

BRANDT AUTOMATIC CASHIER
Serving Bankers, Retailers, Paymasters

Brandt Manufacturing Co., Executive Offices and Factory, Watertown, Wis.

"It is a difficult matter," he says, "for the country bank to require the payment of exchange charges from their customers, as many of them are illiterate and cannot be made to comprehend the justice of such charges, and if these banks receive anything for such services as they may render, it must be gotten in an indirect way. Great stress has been and is being laid on the importance of securing from the public generally every deposit possible in order that the finances of the country should be mobile. So far as I can see, the so-called par collections instituted by the Federal reserve banks have been of but little good, and if there

has been any it has accrued more particularly to the wholesaler who is in a position to protect himself against this small cost usually charged by the banks, in the price of his goods. The Federal reserve bank's position is tantamount to saying to the banks, 'When you accept the deposit of your customer you entail on yourself the obligation to pay such customer's checks at any time and at such places as he may elect without notice to you and without cost to him.' This, you see, is a hardship on the country bank, which has to carry large balances with its correspondents in order that it may have funds at such points as will place

it in a position to comply with these requirements."

Branch Banking in California

Hon. Jonathan S. Dodge, Superintendent of Banks of California, reports that the Bank of Italy has 54 branches; the Los Angeles Trust & Savings Bank 45; the California Bank of Los Angeles 28; the Hellman banks of Los Angeles 16; the Security Bank of Los Angeles 13; the Citizens' Trust & Savings Bank of Los Angeles 11; the Anglo-California Trust Company of San Francisco 5; and the Mercantile Trust Company of San Francisco 4.

Know Canada Better

THE development of closer relations with Canada, the initiative in which was taken when the Administrative Committee of the American Bankers Association visited Montreal last month, is an undertaking in which is combined fraternal duty, commercial duty and business opportunity worthy the keen attention of American bankers and American business men everywhere.

The greatness of Canada is difficult to realize. The Department of the Interior in its "Compact Facts" touches the high points:

Canada covers 3,729,665 square miles of which 3.37 per cent. is water. It is equal in area to the United States with Alaska, the Philippines, and all other possessions, but has a population only equal to that of New York City and Chicago.

POPULATION.—8,769,489; an increase of 63 per cent. over the population in 1901. At this rate children now living will see Canadians outnumbering the present white population of the whole British Empire.

IMMIGRATION.—Total for year ending March 31, 1921, 148,477. Of these 74,262 came from the British Isles and 48,059 from the United States of America.

NATIONAL DEBT.—Canada's net national debt increased from \$335,996,850 in 1914 to \$2,372,585,984 on January 31, 1922, or from \$43 per head to \$255.

BANKS.—The eighteen chartered banks had on January 1, 1921, 4,676 branches in Canada and 200 others in the West Indies, North and South America and Europe.

INDUSTRIAL SECURITIES.—Total invested \$1,672,365,982; Canada 56 per cent.; British 9 per cent.; American 34 per cent.

Americans own 700 factories in Canada.

IMPORTS AND EXPORTS.—Trade balance sheet to March 31, 1921—

DR.	
To United States	\$856,176,820
U. Kingdom.....	213,973,562
Empire	52,029,126
France	19,138,062
Other	98,841,312
	\$1,240,158,882

CR.	
By United States.....	\$560,701,936
U. Kingdom.....	314,228,671
Empire	91,525,372
France	27,522,329
Other	216,449,811
Debit balance.....	\$1,210,428,119
	29,730,763
	\$1,240,158,882

COAL.—Canada has the only two coal regions on the sea coasts of North America. One, Nova Scotia, has actual reserves of 2,000 million, the other, British Columbia, 23,000 million metric tons of high grade bituminous. Canada's "probable reserve" trebles the amount of her "actual reserve" (415 thousand million tons) and represents 16 per cent. of the estimated coal reserves of the world.

COAL PRODUCTION, IMPORTS AND EXPORTS.—In 1921 Canada imported from U. S. A. 18,101,620 tons; exported 1,987,276; produced 14,942,418, valued at \$4.97 a ton.

LENGTHS OF SEVEN RIVERS IN CANADA.—

	Miles
Mackenzie (with Peace, 1,085)....	2,525
St. Lawrence (without Ottawa, 685).....	1,900
Nelson (with South Saskatchewan, 1,205, but without North Saskatchewan, 760).....	1,600
Churchill	1,000
Fraser	695
Yukon (in Canada)	655
Columbia (in Canada)	465

CANALS.—The tonnage passing through the Sault Ste. Marie canals in the six open months is more than double the combined amount of the tonnage that passes through the Suez and Panama Canals in the full year.

RAILWAYS.—Total steam mileage in Canada (1920) was 38,896, or 1 mile for 225 persons; in U. S. A., 1 mile for 390.

Electric railways—2,400 miles in 1919.

SHIPBUILDING.—Number of vessels on register, 8,573; tonnage, 1,498,431; value, \$74,921,550.

GOVERNMENT MERCHANT MARINE (LTD.).—The Government fleet consists of 65 steel ships ranging from 2,800 to 10,500 dead weight tonnage. These vessels are now all in commission.

FARM LANDS.—Of the 300 million acres fit for farming in Canada, one-third is in farm holdings; only one-sixth is cultivated; 250 million acres await the plough or tractor and the man.

WHEAT.—The interior plain of Canada and the plains of Russia are the world's reserve granaries for hard spring wheat. The record production of Canadian wheat is 393,542,600 bushels (1915).

MILLING.—600 Canadian flour mills have an annual capacity of 35,000,000 barrels. The mill of the Maple Leaf Milling Co., at Port Colborne, Ont., has a capacity of 12,000 barrels in 24 hours.

CATTLE.—Canadian cattle numbered 9,477,380 in 1920 and 10,206,205 in 1921.

FORESTS.—Next to Russia and the U. S. A., Canada has the largest forest resources in the world.

COBALT.—The Cobalt and adjoining areas of the Timiskaming district, Ontario, have been for several years the chief source of the world's supply of cobalt.

COPPER.—The record production was 117,150,028 pounds in 1916. Production in 1920, 81,000,691 pounds; in 1921, 53,467,795 pounds.

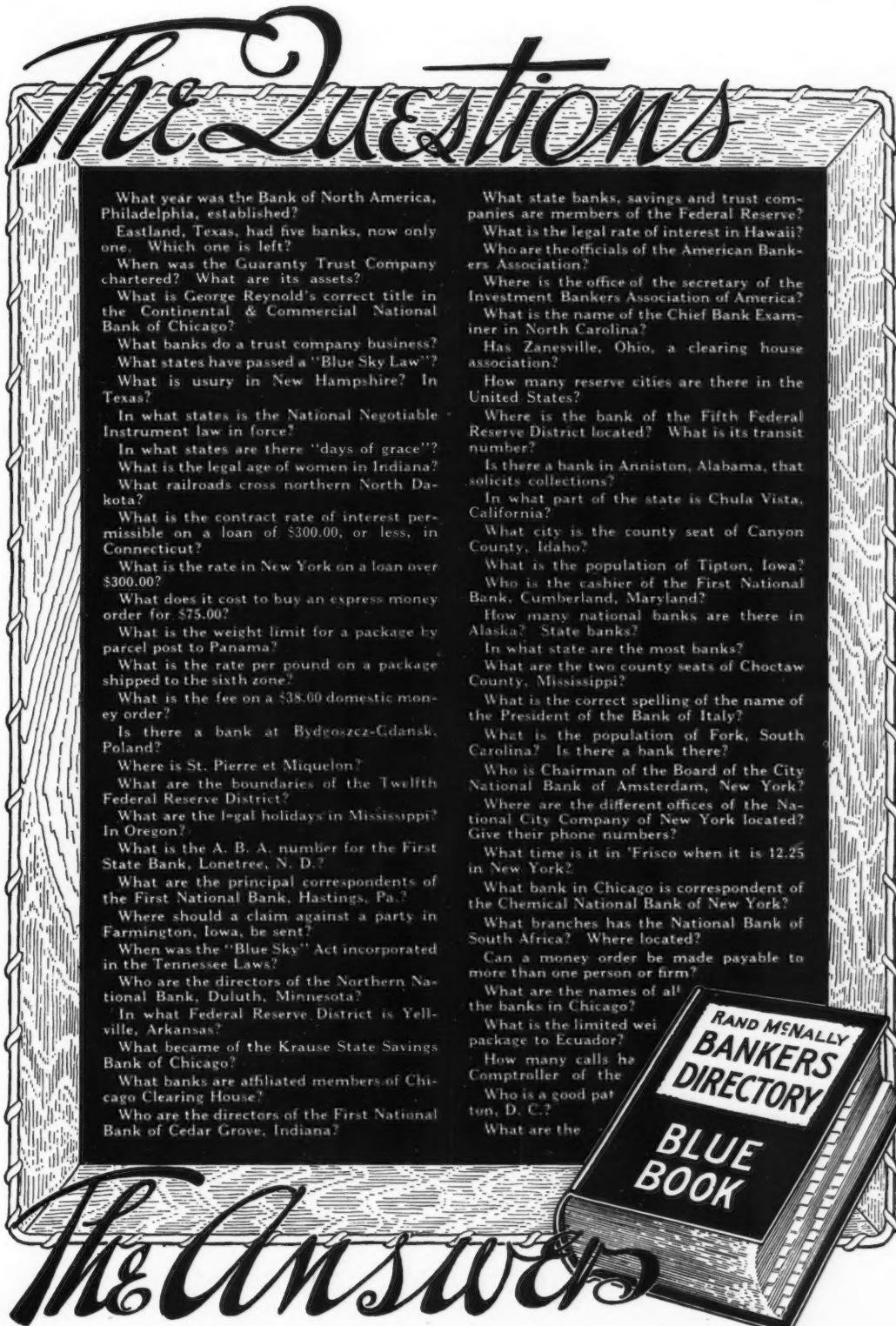
GOLD.—Growth of output in 30 years:

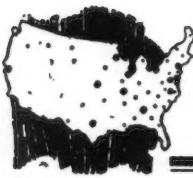
	1892	1921	Record
	oz.	oz.	oz.
All Canada	43,905	924,374	1,350,057
B. Col.	19,327 (1894)	149,347	288,383
Yukon	4,233	65,991	1,077,553
Ontario	1,785	707,470	707,470

NICKEL.—The Sudbury district of Ontario produces 80 per cent. of the world's nickel requirements.

SILVER.—Canada reached the high mark of 32,869,264 ounces of silver in 1910, a few years after discovery of the rich ores of Cobalt and adjoining areas.

But the greatness of Canada is not in its domains as much as in the great soul of its people, which rises above any statistical reduction. As extensive as is the interchange of the peoples of the United States and Canada, it will be recalled that 48,000 Americans settled over the line in 1921. Closer contact and better understanding cannot fail to be of mutual commercial advantage to the two countries.





CLEARING HOUSE SECTION



Our Annual Meeting

THE annual meeting of the Clearing House Section, which will be held Monday morning, October 2, at 9:30 o'clock, Ball Room, Hotel Commodore, New York, promises to be one of the convention's most interesting sessions. John R. Washburn, president of the Section and vice-president of the Continental and Commercial National Bank, Chicago, will preside. It was decided to eliminate the reading of the reports of the secretary, the chairman of the Executive Committee, as well as the report of the chairman of the Acceptance Committee. The reports will be printed in full in the annual proceedings. This will enable us to give more time to the illuminating addresses of our principal speakers, as well as the discussion pertaining to the clearing house idea and the clearing house system of examination.

John McHugh, president of the Mechanics and Metals National Bank, New York City, and a past president of the Section, will be one of the principal speakers on our program, together with L. F. Loree, president Delaware & Hudson Company, one of the foremost railroad men of the country. Following the addresses of the above speakers an open discussion on the Clearing House Examiner idea will take place from the floor—and will be one of the special features again this year. This will enable all present to ask any question pertaining to the clearing house system of examination.

Your Reservations

As secretary of your Clearing House Association, we ask you to notify all member banks sending a representative to the annual convention of the American Bankers Association to be held in New York City the week of October 2 to send in their reservations immediately, if they have not already done so, to the Hotel Committee, A. B. A. Convention, Harvey D. Gibson, Chairman, 334 Fifth Avenue, New York City.

The larger hotels are filling up rapidly and if any particular hotel is desired reservations should be sent in at once.

Examiners' Meeting

A special meeting for all clearing house examiners attending the American Bankers Association convention the week of October 2 has been called for Tuesday afternoon, October 3, at 2:30 o'clock, in the New York Chapter rooms, 15 West 37th Street. This will be one of the most important conferences of the Clearing House Section and an opportunity will be given to those present to discuss such questions as uniform methods of examination, uniform reports, methods

of valuing and classifying assets, systems of safeguard, audit control, etc. We cordially invite all clearing house managers who are interested to attend.

Meeting for Managers

On Wednesday afternoon, October 4, at 2 o'clock in the New York Chapter rooms, 15 West 37th Street, a meeting for all clearing house managers will be held. The purpose of this meeting will be to discuss the clearing house idea and the problems confronting the managers in their work. We want the manager or secretary of every clearing house association present, if possible. This will be your meeting.

Country Banks' Credit Bureau

The article which appeared in the July issue of the JOURNAL outlining the operations of the credit bureau in the Richmond, Va., Clearing House, stimulates interest in a suggestion made frequently in recent months, that there should be some plan devised by which interior bankers might have an interchange of information with reference to the borrowings of customers in their vicinity.

In a middle western state two farmers recently borrowed in excess of \$125,000 from various banks near at home, when fifteen or twenty thousand dollars would have been the limit of credit to which they were entitled. The various banks made the loans, believing that the farmers had no other indebtedness, and were very much surprised when the crash came.

In a meeting of a county association not long ago, in a different part of the same state, bankers were discussing with much interest the possibility of their finding some means of informing themselves about the debts of their borrowers to other banks. A method was suggested which is somewhat similar to the Richmond plan, and which looks as though it might be practical in communities outside of the larger cities.

The difficulty about initiating any such system seems to be chiefly in determining the man who will receive and redistribute the information. Obviously it would not be agreeable to the various banks to have an officer or employee of one of them in possession of a list of the loans of the other banks, but it does not seem impossible to agree upon some other person, such as the bank examiner for that district, some county official, such as the register of deeds, or some attorney in whose discretion all have confidence.

Once the man has been determined on, it is fairly simple to let each bank send to him at stated periods, say each six months, or more frequently if desirable,

a list of all of their loans of \$100 or of \$500 or over, depending upon the community and how closely the banks want to check the borrowings. In turn he can advise each of the banks the total amount which any of these borrowers owes to all of the other banks.

The group might include all banks in the county or in any other limited territory which seemed appropriate.

Special investigation could be made if desirable at times other than the regular periods for reporting, but the need for that could be demonstrated as time went on. The plan has been submitted to a number of country bankers, who have not found fault with it, though to our knowledge it has not been tried out.

Business Changes

Recent changes in the executive staff of the Woodlawn Trust and Savings Bank of Chicago include the following: O. F. Ecklund, for ten years cashier of the First National Bank of Newton, Iowa, has been appointed vice-president of the Woodlawn; John W. Watson, cashier, has been promoted to the position of vice-president and cashier. Recently the bank qualified as a trust company. Theodore Jessup, long an assistant cashier, becoming Trust Officer. For some months Arthur W. Tobias has been president, and Charles M. Poague, chairman of the board.

The Schenectady Trust Company has elected Joseph J. Barringer vice-president and treasurer, and Edward T. Rice vice-president and secretary.

Farmers in the Pacific States in 1919 had an average income of over \$2,800; in the West North Central States their average was \$2,300. These figures may be contrasted with the average of \$1,160 for farmers in New England, \$1,340 in the South Atlantic States and less than a thousand in the East South Central States. The highest average income of farmers is found in California with \$3,485, and the lowest in certain Southern and New England States, where it was less than \$1,000.

New York leads the states of the Union in both aggregate income and per capita income.

The aggregate income received in New York in 1919, according to these figures, was \$9,047,859,000, or more than one-eighth of the entire income in the United States. At the other end of the scale is Nevada with a total income of \$65,791,000.

"The only book I need to keep now is my Bank Book!"

Here's the SIMPLE Way to Keep Depositors Coming in at Regular Intervals

This solves the problem of teaching new depositors "how to save" systematically

This ad appears in the leading publication making the value of this 50c each so you're giving 50 cents when you give a depositor Susie-Savit's Home Cash Register.

50¢ and this ad brings this Dollar Saving first aid to Housekeepers

It helps you PUT money in the bank. It helps you have the rent money when it's due — the milk bills, the ice bills, the butcher and grocer are all cared for — it saves the money for the kids' schooling and college expenses. It has the money for the Doctor when you NEED it. Get this, YOUR first aid to having money when you need it, it only costs fifty cents postpaid. Here it is —

SUSIE SAVIT'S Put and Take CASH REGISTER for the Home

You'll like it because you don't have to be a book-keeper to use it. It always has money when you need it. Order two for a dollar and give one to your best friend. It's guaranteed to last a year.

If you order two and send a dollar in stamps, money order or check we will send you a chart that has helped 20,000 housewives. Charge alone for this chart is \$2.50. Send \$2.50 and this ad for one today. If after you've used it for thirty days, it isn't all I claim, send it back and I'll return your money.

Special terms to Banks, Dealers, Church and YMCA Associations, and Teachers of Domestic Science—Write TODAY.

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Tear Out, Fill In and Mail This Coupon

19...

SUSIE-SAVIT,
14th Floor, 469 Seventh Ave.

Enclosed please find \$..... for
Susie-Savit's Home Cash Register as per offer
in American Bankers Journal.

Bank.....

Name.....

Street or R. F. D. No. address

City.....State.....

Sample postpaid to bankers, their wives, and bank employees for 50c silver or stamps, and my budget chart (50c), two for \$1.00, postpaid.

Get 100 and give one to each backward, slow depositor.
Costs only \$25.00 at 25c each.

SUSIE-SAVIT

(Save-It)

14th Floor-AB 469 Seventh Ave.

New York City

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Membership Changes

REPORTED FROM JULY 26, 1922, TO AUGUST 25, 1922, INCLUSIVE

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

Arkansas.....Lamar.....	Bank of Lamar converted into First National Bank.	California.....Tulare.....	National Bank of Tulare succeeded by Los Angeles Trust and Savings Bank.
California.....Alhambra.....	Alhambra Savings & Commercial Bank succeeded by Los Angeles Trust & Savings Bank.	Visalia.....	Producers Savings Bank merged with First National Bank as Los Angeles Trust & Savings Bank.
Carpenteria.....	Commercial Trust & Savings Bank succeeded by Los Angeles Trust & Savings Bank.	Connecticut.....West Haven.....	Orange Bank & Trust Company changed to West Haven Bank & Trust Company.
Fresno.....	Fidelity Trust & Savings Bank succeeded by Los Angeles Trust & Savings Bank.	Florida.....Gainesville.....	Florida National Bank changed to Florida Bank and Trust Company.
Guadalupe.....	Bank of Santa Maria succeeded by Los Angeles Trust and Savings Bank.	Kentucky.....Lexington.....	Phoenix and Third Trust Company merged with Phoenix and Third National Bank as Phoenix National Bank and Trust Company.
Hanford.....	Farmers & Merchants National Bank succeeded by Los Angeles Trust & Savings Bank.	Michigan.....Oakwood.....	Oakwood State Bank succeeded by Peoples' State Bank, Detroit Post-office.
Hollywood.....	Hollywood Savings Bank succeeded by Los Angeles Trust and Savings Bank.	Minnesota.....Minneapolis.....	Payday National Bank succeeded by Marquette National Bank.
Lindsay.....	Lindsay National Bank succeeded by Los Angeles Trust and Savings Bank.	Missouri.....Kahoka.....	Kahoka Savings Bank reorganized as Farmers Trust Company of Clark County.
Lompoc.....	Commercial Trust & Savings Bank succeeded by Los Angeles Trust & Savings Bank.	Montana.....Butte.....	Silver Bow National Bank consolidated with Metals Bank and Trust Company.
Long Beach.....	City National Bank succeeded by Los Angeles Trust and Savings Bank.	Nebraska.....Newcastle.....	Newcastle State Bank succeeded by American State Bank.
Los Alamos.....	Bank of Santa Maria succeeded by Los Angeles Trust and Savings Bank.	New York.....Greene.....	The Julian Bank succeeded by First National Bank.
Manteca.....	Bank of South San Joaquin changed to Bank of Manteca.	New York.....	Barr and Schellizer succeeded by Barr Bros. and Company.
Oakland.....	First Savings Bank changed to American Bank.	New York.....	Mercantile Bank of the Americas succeeded by Bank of Central and South America.
Oxnard.....	First National Bank succeeded by Los Angeles Trust and Savings Bank.	White Plains.....	Central Bank of Westchester County changed to Central Trust Company of Westchester County.
Redlands.....	Savings Bank of Redlands merged with First National Bank as Los Angeles Trust & Savings Bank.	Oklahoma.....Lenapah.....	Citizens National Bank changed to First National Bank.
Santa Barbara....	Commercial Trust & Savings Bank succeeded by Los Angeles Trust & Savings Bank.	Wann.....	Peoples Bank & Trust Company succeeded by Bank of Wann.
Santa Maria.....	Bank of Santa Maria succeeded by Los Angeles Trust and Savings Bank.		

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FOR OUR PAINSTAKING ATTENTION



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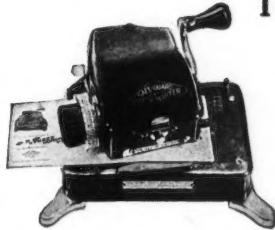
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Pennsylvania.... Harrisburg..... First National Bank succeeded by Commonwealth Trust Company.

Rhode Island.... Pawtucket..... Slater Trust Company succeeded by Industrial Trust Company Slater Branch.

South Dakota.... Tripp..... Tripp State Bank succeeded by Farmers & Merchants State Bank.

Texas..... Bronte..... First State Bank succeeded by Guaranty State Bank.

Miles..... Miles National Bank resumed.

Virginia..... Emporia..... Citizens Bank of Emporia converted into Citizens National Bank.

Washington..... Anacortes..... Citizens Bank resumed.
Bellingham..... Northwestern State Bank succeeded by American National Bank.

Odessa..... Union State Bank succeeded by First National Bank.

West Virginia.... Sistersville..... Peoples National Bank merged with Farmers & Producers National Bank as Union National Bank.

Wisconsin..... Ladysmith..... State Bank of Ladysmith taken over by Lusk County Bank.

Wyoming..... Big Piney..... Marbleton State Bank Marbleton now located at Big Piney.

Hawaii..... Kahului-Maui..... Baldwin National Bank changed to Baldwin Bank, Ltd.

New and Regained Members from July 26th to August 25th, 1922, Inclusive

Alabama

Parker Bank & Trust Company, Cullman 61-147.

Arkansas

Farmers National Bank, Cotton Plant.

California

California Bank, 57th & Central Branch, Los Angeles 16-20.

California Bank, Florence & Compton Branch, Los Angeles 16-20.

Los Angeles Trust & Savings Bank, Jefferson & Arlington Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Jefferson & Figueroa Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Main & Commercial Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Melrose & Heliotrope Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Ninth & Figueroa Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, 9th & San Pedro Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Pico & Valencia Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Second & Fremont Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Seventh & Valencia Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Sixth & Flower Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Tenth & Broadway Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Western & Santa Monica Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Whittier Boulevard Branch, Los Angeles 16-54.

Los Angeles Trust & Savings Bank, Orcutt 90-932.

Colorado

San Luis State Bank, San Luis 82-423.

District of Columbia

Riggs National Bank, Dupont Circle Office, Washington 15-3.

Riggs National Bank, 14th & Park Road Office, Washington 15-3.

Georgia

Wage Earners Savings Bank, Savannah 38-60.

Illinois

First State Bank, Barrington 70-1156.

Bethalto State Bank, Bethalto 70-2060.

Caledonia National Bank, Caledonia 70-1858.

First State Bank, Cutler 70-2035.

First Trust & Savings Bank, De Kalb 70-263.

Elmwood Park State Bank, Chicago P. O., Elmwood Park 70-2036.

Fillmore State & Savings Bank, Fillmore 70-1837.

Morton Grove Trust & Savings Bank, Morton Grove 70-1744.

Niles Center State Bank, Niles Center 70-1494.

Indiana

Peoples National Bank, Washington 71-263.

Kansas

First National Bank, Attica 88-1134.

Farmers State Bank, Lenora 88-611.

Kentucky

Peoples Exchange Bank, Beattyville 71-658.

Michigan

Grand Rapids National Bank, Burton Heights Branch, Grand Rapids 74-2.

Grand Rapids National Bank, Hall & Division Branch, Grand Rapids 74-2.

Grand Rapids National Bank, Michigan & Grand Branch, Grand Rapids 74-2.



Why banks display these signs

Bankers everywhere are displaying window signs, tellers' grill hangers, display cards and newspaper advertisements featuring the circle and double arrows, together with the slanting logotype of Super-Safety Insured Bank

Checks because these signs help to build public faith in banks and banking; because this increased public faith in banks will increase the deposits directly and indirectly.

Deposits in banks can be increased *directly* through the issuing of the individual certificate of insurance to depositors. These are furnished without charge to each bank purchasing Super-Safety Insured Checks. Naturally, bank depositors appreciate this added protection and deposit their funds where it is obtainable.

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Grand Rapids National Bank, Stocking & 4th Branch, Grand Rapids 74-2.
Spring Lake State Bank, Spring Lake 74-960.

MINNESOTA

Chippewa County State Bank, Montevideo 75-152.

MISSISSIPPI

Peoples Bank, Gunnison 85-527.

MISSOURI

Bank of Ash Grove, Ash Grove 80-483.
(Regained.)

Bank of Atlanta, Atlanta 80-702.

Baring Exchange Bank, Baring 80-878.

Citizens Bank, Benton City 80-887.

Bank of Blackwater, Blackwater 80-788.

Farmers Stock Bank, Blackwater 80-787.

Bank of Bosis D'Arc, Bosis D'Arc 80-899.

Bank of Buffalo, Buffalo 80-569.

O'Bannon Banking Co., Buffalo 80-570.

Merchants Exchange Bank, Downing, 80-705.

Bank of Fair Grove, Fair Grove 80-975.

Florida Savings Bank, Florida 80-984.

Gallatin Trust Co., Gallatin 80-1547.
(Regained.)

Farmers Bank, Gower 80-1545.

Farmers State Bank, Greentop 80-1014.

Bank of Hoberg, Hoberg 80-1325.

Farmers Bank, Holt 80-806.

Farmers Trust Co., of Clark County, Kahoka 80-380.

Bank of Laddonia, Laddonia, 80-656.

Farmers Exchange Bank, Memphis 80-341.

Peoples Bank, Memphis 80-1458.

Southern Bank of Mexico, Mexico 80-147.

Bank of Nixa, Nixa 80-1139.

Bank of Puxico, Puxico 80-1176.

Republic State Bank, Republic 80-1296.

Bank of Sparta, Sparta 80-1207.

Citizens Bank, Sparta 80-1626.

Bank of Stratford, Stratford 80-1220.

Bank of Wooldridge, Wooldridge 80-1270.

NEBRASKA

Farmers Bank, Battle Creek 76-1244.

Farmers State Bank, Venango 76-1262.

NEW JERSEY

Raritan Savings Bank, Raritan 55-432.
(Regained.)

NEW YORK

Corner Exchange Bank, Canal St. Branch, New York 1-45.

Corner Exchange Branch, Commodore Branch, New York 1-45.

Corner Exchange Bank, Jackson Heights Branch, New York 1-45.

Midwood Trust Co., Brooklyn 1-394.

OHIO

Park National Bank, Newark 56-130.

Peoples State Savings Bank, Toledo 56-18.

(Regained.)

OREGON

First National Bank, Mt. Angel 96-314.

PENNSYLVANIA

First National Bank, Bernville 60-1082.

Keystone Bank, Harrisburg 60-98.

Mohnton Trust Co., Mohnton 60-1258.

Allen Trust Co., Northampton 60-1282.

SOUTH CAROLINA

Farmers Bank, Edgefield 67-183. (Regained.)

First National Bank, Saint George 67-249.
(Regained.)

TENNESSEE

Peoples National Bank, Shelbyville 87-142.

TEXAS

Texas Bank & Trust Co., Austin 88-21.

First State Bank, Big Spring, 88-237.

(Regained.)

First National Bank, Crockett 88-244.

Citizen State Bank, Dennison 88-37.

Manhattan Bank & Trust Co., El Paso 88-13.

Guaranty State Bank, Georgetown 88-1971.

Citizens National Bank, Lubbock 88-436.

(Regained.)

Prendergast-Smith National Bank, Mexia 88-346.

First State Bank, Post 88-1706.

UTAH

North Sanpete Bank, Mount Pleasant 97-46.

VERMONT

Morris Plan Bank, Richmond.

MEXICO

Canadian Bank of Commerce, Mexico City, D. F.

Delays Are Dangerous

*"Defer not till tomorrow to be wise,
Tomorrow's sun to thee may never rise."*

—Congreve.

YOU have many times determined to prepare yourself for future opportunities. Probably you have as many times put off taking the necessary steps. Some folks say that opportunity knocks but once; others say it knocks more than once; however that may be, it is surely true that incompetency knocks all the time. Opportunity is knocking at your door now. It points the way to secure the training necessary to qualify you for the position "higher up." Thousands of bankers have secured it through experience—painful years of practice, hardships and disappointments. Today you have the opportunity of profiting by the experiences of others, and starting where they left off. The character and quantity of knowledge necessary to achieve or merit any sort of success in the banking business are contained in the study courses of the American Institute of Banking, which are described below:

ELEMENTARY COURSE OF STUDY Elementary Banking

The Institute has prepared a study course covering the elements of banking and law to suit the circumstances of the multitude of men and women who have recently entered the banking business. This course covers the fundamentals of banking and is intended to lay a proper foundation for the standard courses of study hereinafter described. The text-book, among other things, treats of the duties and opportunities of messengers, functions of banking, elements of contracts, drafts and acceptances, promissory notes and discount, deposits and checks, exchanges and transfers, bills of lading, elevator receipts, warehouse receipts, agency, partnership, corporations, bank departmentization, and ends with a brief discussion of the Federal Reserve System. No one is too young to enroll in Elementary Banking; no one is so old that he will not profit by a conscientious study of this text-book.

ADVANCED COURSE OF STUDY Accounting

Accounting is one of the essentials of a business education. To the banker who is concerned with the making of loans, a knowledge of accounting is indispensable. You cannot intelligently judge the statement of condition submitted by a prospective customer unless you are grounded in the fundamentals of accounting. The Institute study course in Accounting has been prepared especially to meet the needs of the banker in this direction. It is not a course in bookkeeping.

SPECIAL COURSE OF STUDY Studies in English

The Woolworth Building is not built on a bungalow foundation. Skyscrapers require bed-rock to build upon. Speakers and writers must possess a knowledge of the fundamentals of grammar in order to provide that firm substructure which is necessary to support the temple of success. The purpose of "Studies in English" is not to make professional authors, but simply to qualify ordinary men and women to speak and write in accordance with the demands of business and society.

The study courses of the Institute are open to both men and women. Procrastination postpones preparation. Write now for particulars.

STANDARD COURSES OF STUDY Commercial Law

The Institute study course in Commercial Law is not intended to make lawyers, but simply to impart to bankers sufficient knowledge of law to enable them to act in accordance with established legal principles and refer doubtful questions to a lawyer. The text-book used in this course considers contracts, principal and agent, master and servant, partnerships, corporations, transfer of stock, personal property, real property, estates and trusts, carriers and ware-housemen, bankruptcy, and insolvency.

Negotiable Instruments

A banker should be as familiar with the Negotiable Instruments Act as is a lawyer with the proper procedure of the courts. The Institute study course in this subject teaches bankers the law of negotiability, which now affects not only checks and promissory notes, but bills of lading, stock certificates, trade and bankers' acceptances, and warehouse receipts. The text-book discusses each section of the Act separately and thoroughly, and is replete with practical illustrations.

Standard Economics

Political Economy is the science that deals with wealth—its production and its uses—and in its practical application is the keystone of credit. Economic principles are so closely related to banking that the study of banking and the study of Political Economy are inseparable. The Institute study course in Economics is intended to give the student an understanding of the principles underlying banking.

Standard Banking

Because of the broad scope of banking interests, a student who would understand the business of banking must know much more than the routine of a banking office. The Institute study course in Standard Banking is intended to impart to progressive bankers practical methods of banking administration, as well as an understanding of banking history and of the broad principles of banking and finance as developed in metropolitan centers throughout the world.

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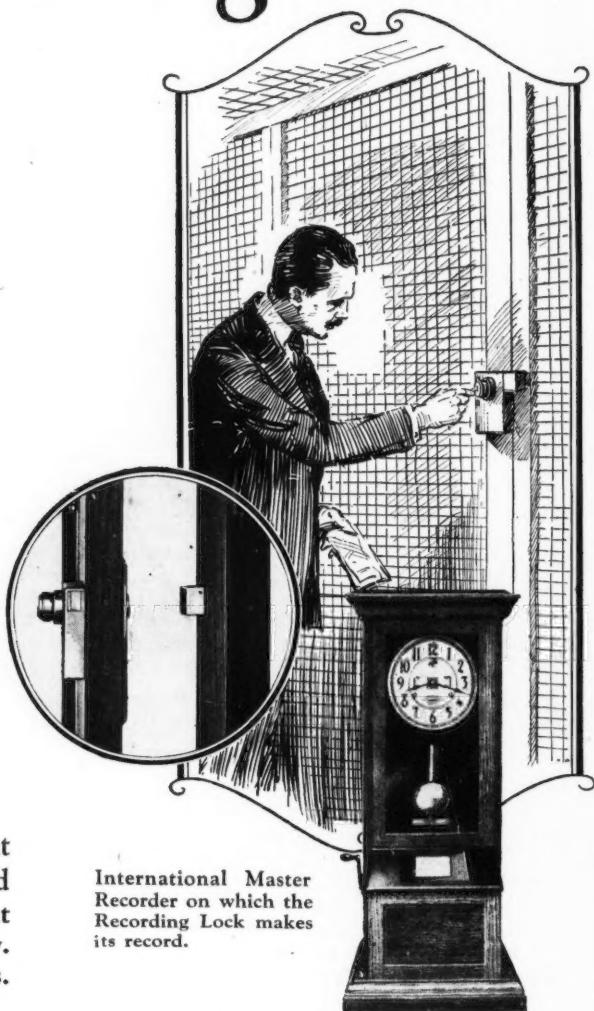
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